

cc: Bruce  
JeremyTHE WHITE HOUSE  
WASHINGTON

June 13, 1985

## MEMORANDUM FOR THE PRESIDENT

FROM: Carol Rasco *CR*  
SUBJECT: Waivers and Welfare Reform

You asked for a summary of our record in granting waivers to states for welfare reform demonstrations in our pursuit of our goal of ending welfare as we know it.

Overview:

We have approved 32 welfare waivers in 29 states, more than the two previous Administrations combined. (Twenty one states have waivers from prior Administrations.) The attached map illustrates that these waivers are broadly distributed throughout the nation. In an average month, these demonstrations cover 46% of AFDC recipients, or 6.8 million people.

If HHS decides to grant all of the waivers now pending, the number of states with approved waivers would grow from 29 to 37, and the number of waivers would grow from 32 to 51. (A state may have more than one waiver because many waivers are implemented only in portions of the state, and because a state may request waivers of different parts of the law at different times.)

The Administration's policy of encouraging state welfare reform demonstrations has allowed us to make significant strides toward a new welfare system. The state demonstrations have the same themes of work, responsibility, opportunity, and family as our welfare reform proposal. In some ways, welfare is no longer the same program it was for almost half of all recipients -- and that proportion is growing. The welfare system that these recipients encounter includes or will soon include some combination of time limits, education and training, work incentives, stronger child support enforcement, and/or asking parents to take more responsibility for their children.

Important Considerations:

First, and most important, you should be aware that the 29 states with waivers includes states that are implementing any element of welfare reform. Fewer than half of the 29 states with waivers have undertaken what we would consider comprehensive reform. For example, only 16 of the 29 states have waivers that will place time limits on cash assistance. Only 14 states have waivers that combine increased education and training with time limits. Only

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seven states have combined the reforms above with increased child support enforcement, removing disincentives to work, and promoting parental responsibility. As a result, arguing that 48% of AFDC recipients will be participating in waivers and, therefore, real welfare reform could be criticized as an overstatement.

Second, one key element of welfare reform -- strengthening child support enforcement -- requires a national policy. This is because efforts to track down non-custodial parents so often must cross state lines, and because the most important changes don't involve the welfare system. We need the child support enforcement provisions in the current welfare reform bills in order to make substantial progress in this area.

Third, waivers depend on Governors to implement them. In New York, for example, we granted a waiver to the prior Governor that will presumably never be implemented. Instead, the new Governor is expected to submit his own waiver request. Also, by the time they actually get their waivers, most Governors are so fed up with the red tape that they rarely give the Administration much credit.

Fourth, measuring the outcome of our waiver policy is difficult. Ideally we would measure the success of our policy by looking at the number of people moved from welfare to work as a result of waivers. However, because of the nature of these experiments, we will not be able to do this for another couple of years. Many states that have been granted waivers have not yet implemented them; and, for those that have, key elements such as time limits and family caps do not usually kick in for two years and ten months respectively.

We have some early and positive results in Iowa (which is the only state so far where AFDC recipients have reached time limits and been removed from the rolls). As you know, Florida has been able to demonstrate some limited success in moving people to work through education and training. But it will be difficult to make a comprehensive evaluation of the effect of our waiver policy this year or next year. (Of course, the House and Senate welfare reform plans are not scheduled to be implemented before October of this year at the earliest.)

Finally, waivers are by nature experiments in how to end welfare rather than an end to welfare themselves. A few of the more recent waiver requests push the envelope, and some demonstrations are state-wide. However, the vast majority of waivers are pilot projects that may produce interesting lessons with the potential for broader application, but will do little to change expectations or opportunities for the bulk of the current caseload.

Specific Waiver Accomplishments:

To measure our success we must rely for now on measuring the actions states are taking in an effort to move people from welfare to work. Those actions are grouped below under five central principles of welfare reform, principles that we have long articulated and that were included in our bill.

**Welfare to Work:** We have made it clear that work must be the centerpiece of any true welfare reform plan. Twenty states are using waivers to help move people from welfare to work. To accomplish this, the states are:

- o requiring more people to participate in education and training programs;
- o increasing sanctions for those who do not comply with these requirements;
- o expanding case management services; and
- o subsidizing private sector jobs for welfare recipients.

**Time Limited Benefits:** Sixteen states are using waivers in an effort to transform welfare from a way of life to a transitional support system. They are doing so by placing a time limit on benefits, or by requiring welfare recipients to participate in work or training after a certain period of time in order to continue to receive benefits. As in the Administration's Work and Responsibility Act, many states require recipients to develop plans with specific goals and deadlines, and enforce these plans with sanctions that reduce or deny benefits. Time limits range up to five years, but are flexible for participants who make good faith efforts to find work. However, since many states implement waivers in only a few counties, the number of AFDC recipients affected by time limits may be fairly small. We are following up to get this number.

**Child Support Enforcement:** Establishing paternity and enforcing child support are critical to our efforts to move people toward self-sufficiency. Fourteen states are strengthening child support enforcement by allowing families to keep more in support payments, or enrolling the non-custodial parent in job training programs.

A more comprehensive approach to child support enforcement, however, requires federal action. This Administration has proposed sweeping nation-wide changes in paternity establishment, license revocation, and interstate collection. The House and Senate have adopted our approach on this issue in their welfare reform bills.

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**Making Work Pay:** Twenty-five states are removing the disincentives to work in our current welfare system by:

- o increasing the amount that recipients can earn or save without losing benefits (this reform has been enacted by more states than any other);
- o relaxing the limit of \$1,500 on the value of a family's car;
- o extending child care and/or Medicaid coverage to families after they leave the welfare rolls, in order to give families critical support as they make the transition from welfare to work;
- o offering a one-time payment, child care, or medical assistance in lieu of AFDC for those with a temporary need for assistance, in order to prevent applicants from joining the AFDC rolls;
- o allowing married parents who work more than 100 hours a month to keep receiving benefits; and
- o combining AFDC benefits with the cash equivalent of a family's Food Stamps allotment to give families flexibility and responsibility in managing their income.

**Parental Responsibility:** Twenty-two states are encouraging greater responsibility among AFDC recipients by:

- o paying bonuses or imposing penalties on families based on children's school attendance record;
- o paying bonuses or imposing penalties to encourage teen parents to stay in school, maintain adequate grades, and graduate from high school;
- o allowing families to put money aside for children's education in special accounts;
- o requiring AFDC households to have their children properly immunized and receive regular health check-ups;
- o requiring teen parents to live in supervised settings or go to school, and offering them counseling; and
- o denying additional benefits to families when a parent has another child while on AFDC (family cap).

**Conclusion:**

Our policy on welfare reform waivers has accomplished much to date. I am prepared to discuss this with you further.

## STATUS OF WELFARE WAIVERS

Approved: 32 applications from 29 states

o Arizona	o Arkansas	o California (2)
o Colorado	o Connecticut	o Delaware
o Florida	o Georgia	o Hawaii
o Illinois	o Indiana	o Iowa
o Michigan	o Mississippi	o Missouri
o Montana	o Nebraska	o New York
o North Dakota	o Ohio	o Oklahoma (2)
o Oregon	o Pennsylvania	o South Carolina
o South Dakota	o Vermont	o Virginia
o Wisconsin (2)	o Wyoming	

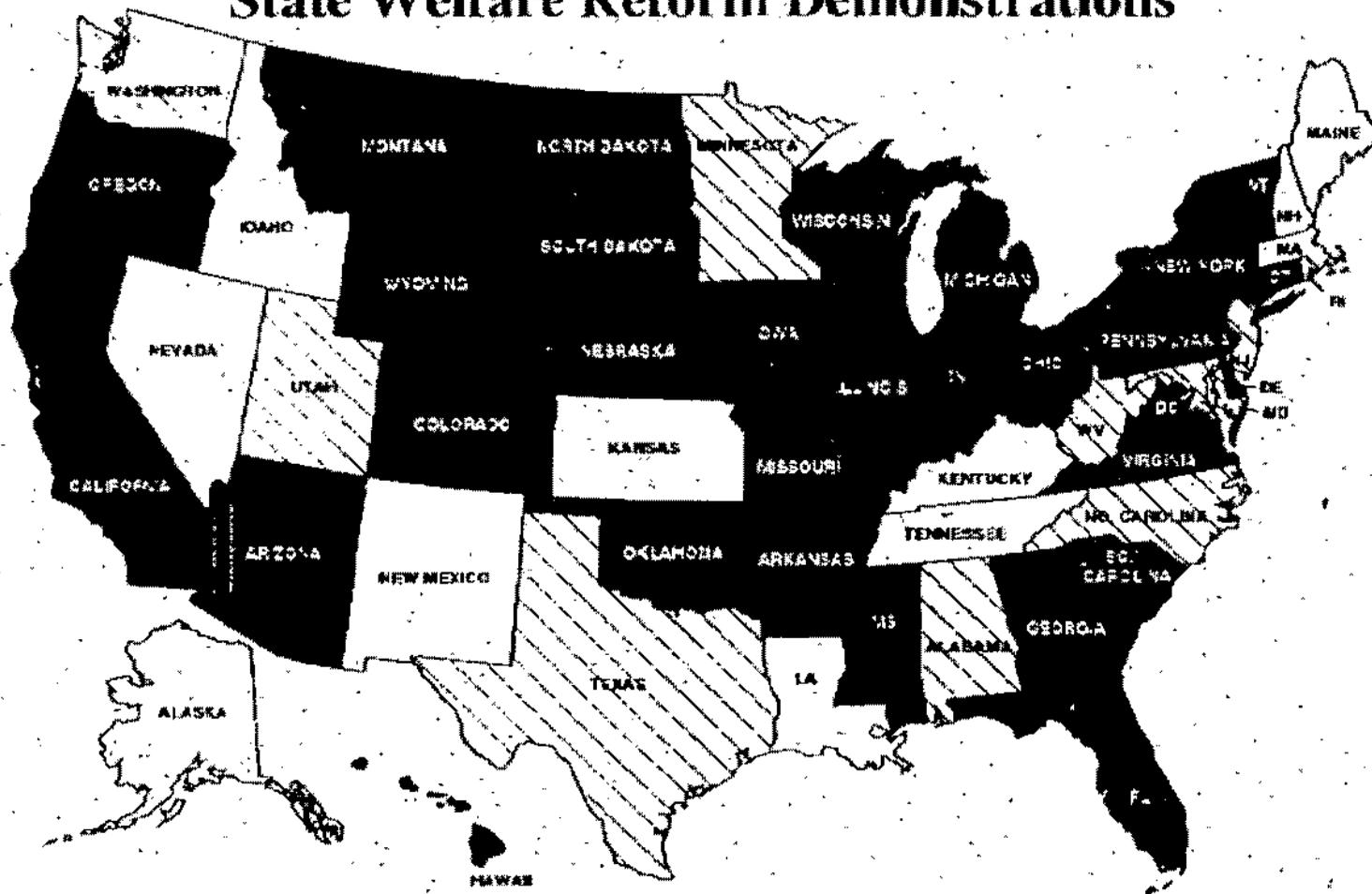
Under Review: 20 applications from 16 states  
(includes date of request and 120-day point)

	<u>Requested</u>	<u>120 Days</u>
o California (4 waivers)	8/94 - 12/94	12/94 - 4/95
o Georgia	7/94	11/94
o Hawaii	5/95	9/95
o Kansas	7/94	11/94
o Maine	8/94	12/94
o Maryland	3/94	7/94
o Massachusetts	4/95	8/95
o Mississippi	2/95	6/95
o North Dakota	9/94	1/95
o Oregon	11/93	3/94
o Texas	4/95	8/95
o Utah	5/95	9/95
o Virginia	12/94	4/95
o Washington	2/95	6/95
o West Virginia	4/95	8/95
o Wisconsin (2 waivers)	4/95	8/95

Anticipated: 31 applications from 26 states

o Alaska	o Arkansas	o California
o Connecticut	o D.C.	o Florida
o Illinois (3)	o Kentucky	o Maine
o Maryland	o Massachusetts (2)	o Minnesota
o Nevada	o New Hampshire	o New Jersey
o New York	o North Carolina	o Oklahoma
o Oregon	o Pennsylvania (2)	o Rhode Island
o South Carolina (2)	o Texas	o Washington
o West Virginia	o Wyoming	

# State Welfare Reform Demonstrations



**Clinton Administration**

As of May 25, 1995

**Previous Administrations**

★ Demonstration Also Approved in Previous Administrations

## Half the Nation Enacting Welfare Reform Under the Clinton Administration

The Clinton Administration has approved 26 demonstrations in 25 states, launching welfare reform for thousands of families in half of the states, more than the two previous Administrations combined. In an average month, the welfare demonstrations cover approximately 6 million people, representing 42 percent of all recipients. All of the waivers which we have granted build on many of the central principles of President Clinton's vision for welfare reform, including:

PRINCIPLE	DESCRIPTION	STATES APPROVED
<b>Work</b>	<i>Fifteen states</i> are helping people move from welfare to work, from receiving welfare checks to earning paychecks, by increasing education and training opportunities and creating public/private sector partnerships.	<i>15</i> - Connecticut, Florida, Georgia, Hawaii, Indiana, Michigan, Mississippi, Nebraska, Ohio, Oregon, South Carolina, South Dakota, Vermont, Wisconsin, Wyoming
<b>Time Limited Cash Assistance</b>	<i>Eleven states</i> are making welfare a transitional support system, rather than a way of life, by providing opportunity, but demanding responsibility in return.	<i>11</i> - Colorado, Connecticut, Florida, Indiana, Iowa, Michigan, Nebraska, South Carolina, South Dakota, Vermont, Wisconsin
<b>Child Support Enforcement</b>	<i>Ten states</i> are strengthening child support enforcement and sending a clear message that both parents must be responsible for their children.	<i>10</i> - Connecticut, Indiana, Michigan, Mississippi, New York, Ohio, Oregon, Vermont, Virginia, Wisconsin
<b>Making Work Pay</b>	<i>Twenty states</i> are providing incentives and encouraging families to work not stay on welfare, so they can achieve and maintain economic self-sufficiency.	<i>20</i> - California, Colorado, Connecticut, Florida, Illinois, Indiana, Iowa, Michigan, Mississippi, Nebraska, New York, Ohio, Oregon, Pennsylvania, South Carolina, South Dakota, Vermont, Virginia, Wisconsin, Wyoming
<b>Parental Responsibility</b>	<i>Nineteen states</i> are promoting parental responsibility by encouraging education, or limiting benefits for families who have another child while on AFDC.	<i>19</i> - Arkansas, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Mississippi, Nebraska, New York, Ohio, Oklahoma, Pennsylvania, South Carolina, Vermont, Virginia, Wisconsin, Wyoming

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TO

FROM

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MAR-06-1995

DRAFT

## Talking Points

### Arizona Waiver - Employing and Moving People Off Welfare and Encouraging Responsibility (EMPOWER)

"Arizona will test bold work and responsibility requirements to help recipients move quickly from welfare to work."

Secretary Shalala

On May 22, 1995, Arizona becomes the 29th state to be granted a welfare reform waiver from the Clinton Administration, allowing the state to test innovative welfare reform strategies. While the Senate begins considering how to reform the welfare system, the Clinton Administration is already doing it -- by continuing our commitment to give states the flexibility they need to successfully move people from welfare to work.

Arizona's welfare demonstration project reflects President Clinton's principles for welfare reform: work and responsibility. Arizona's Employing and Moving People Off Welfare and Encouraging Responsibility (EMPOWER) project leads people toward the freedom of work rather than the confines of dependence, by making work pay, promoting parental responsibility, and focusing on young people.

Arizona's waiver demonstration embodies President Clinton's ideal that welfare should be a transitional support system, rather than a way of life, by providing opportunity, but demanding responsibility in return. With the approval of this waiver, Arizona becomes the 16th state to test time-limited benefits. After receiving assistance for 24 months in any 60 month period, adult recipients will no longer be eligible for AFDC benefits.

Arizona is making work pay. Arizona's waiver permits the state to increase resource limits and earned income disregards, making work more attractive than welfare. In order to ensure that families can get off and stay off of welfare, Arizona received approval to extend child care and medical benefits to families after they leave the welfare rolls. The state has also eliminated the 100 hour rule for recipients in the AFDC Unemployed Parents (AFDC-UP) program, encouraging two parent families to work and stay together.

Like President Clinton, Arizona recognizes that in order to successfully move people from welfare to work we must be tough, but practical; we must encourage education and training to make work possible. That is why Arizona is encouraging welfare recipients to set up Individual Development Accounts (IDA), which will allow recipients to accumulate and build assets to be used to improve their education and training. In addition, tough sanctions will be imposed for failure to comply with JOBS program requirements.

Arizona's EMPOWER program includes important prevention and parental responsibility components. Similar to provisions of President Clinton's welfare reform plan, Arizona is sending a clear message to teen parents that having children is an immense responsibility rather than an easy route to independence. Arizona is committed to providing the support needed to end long-term welfare dependency by requiring minor mothers to live at home or with a responsible adult, requiring minor parents to attend school, and limiting benefits for families who have another child while on AFDC.

Arizona will also begin a pilot project, the Full Employment Demonstration Project, which will provide additional incentives for welfare recipients to go to work, by providing wage subsidies and forging new public/private sector partnerships. The Full Employment Demonstration Pilot Project will provide welfare recipients with valuable work experience by placing participants in subsidized jobs for up to a year. Employers will be required to provide participants with workplace mentoring and allow them to engage in permanent job search activities. In addition, as part of the pilot project, the state will pass through child support collections directly to the custodial parents without affecting benefit eligibility.

CHR —

Monday, THE ENTITLEMENT CROWD IS COMING IN ONE LAST TIME  
TO CRUCIFY US FOR NOT THREATENING A VETO OVER  
THE INDIV. ENTITLEMENT.

ANY INTEREST IN JOINING ME? WILL YOU MAKE SURE  
MY WIFE + DAUGHTER ARE PROVIDED FOR IN THE EVENT  
OF MY UNTIMELY DEATH (OR ARREST)?

If they change my POTUS

briefing I will come —

I'm scheduled at 12:05  
which means later of

course.

Absolutely,  
we'll  
establish  
a college  
trust!

Good news though is that our  
intern took message this  
afternoon that I saw  
in Pat Romani's chair  
& Marian cancelled for  
Monday!

ARIZONA - Employing and Moving People Off Welfare and Encouraging Responsibility (EMPOWER)

**Description**

Implement the following provisions Statewide:

- o Eliminate the 100-hour work rule requirements for AFDC-UP families.
- o Eliminate the increment in AFDC benefits for additional children born more than 10 months after initial receipt of assistance, and increase the family's earned income disregard by the additional amount of AFDC benefits the family would otherwise have received.
- o Remove the needs of the adult in determining AFDC benefits after a family has received assistance for 24 months in any 60 month period, and increase the family's earned income disregard by the amount of the reduced benefit.
- o Allow participating individuals receiving both AFDC and Food Stamps to set up an Individual Development Account (IDA) to set aside up to \$12,000 for educational/training purposes, \$9,000 of which would be disregarded from the resource limit.
- o Disregard as income for eligibility and benefit computation purposes 50 percent of IDA deposits up to a maximum of \$200 per month.
- o Extend transitional child care and medical assistance eligibility from 12 to 24 months.
- o Provide additional support services, including access to child care.
- o Require that unwed minor parents live in an adult supervised setting as a condition of AFDC eligibility.
- o Require minor parents and pregnant teens aged 13 to 16 to attend school.
- o Impose a minimum 1 month sanction for the first failure to comply with JOBS program requirements.

Implement a Full Employment Demonstration Project (Pilot) in one county with the following provisions:

- o Provide selected mandatory JOBS participants with short term (9 to 12 month) public or private On-the-Job training experience paying at least the Federal minimum hourly wage (FMHW). Reimburse employers for up to 40 hours per week at

the FMHW by diverting the AFDC grant and the "cashed-out" Food Stamp allotment.

- o Sanction unjustified failure to comply with program requirements with a reduction equal to 50 percent of the family's AFDC grant plus debarment of the individual from further pilot participation for a minimum of 1 month or until the individual complies with JOBS program requirements.
- o Require that employers provide workplace mentoring, and after 9 months of work allow participants up to 8 hours of paid time per week to engage in job search.
- o Disregard a participant's earned income up to the equivalent of 40 hours at the FMHW.
- o Prospectively calculate and provide monthly supplemental payments to offset any loss of benefits.
- o Impose as the first sanction for non-compliance with pilot provisions a reduction of 50 percent of the family's AFDC grant for a minimum of 1 month, with no compensating increase in Food Stamp benefits, and debarment from further pilot participation.
- o Pass through to the AFDC family all current month child support collections, and disregard as income.
- o Require all participants, including the parent or caretaker relative whose youngest child is between 1 and 6, to participate in the pilot 40 hours per week.

**Status**

Application received: August 4, 1994

Proposed Implementation Date: (180 days after Federal approval)

THE WHITE HOUSE  
WASHINGTON

September 28, 1994

WR Ideas

MEMORANDUM FOR CAROL RASCO

FROM: Paul Weinstein

SUBJECT: Waiver Strategy

Assuming the "Competitiveness Act" (S.4) conference report is agreed to -- and that is no certainty -- the Administration will have achieved a partial victory on the waiver/flexibility issue. The conferees have agreed to accept our language on flexibility with one troublesome difference. The section of the bill providing statutory waiver authority was replaced by language granting the Community Enterprise Board (CEB) with only regulatory waiver authority on non-statutory regulations.

Although the final language falls considerably short of what the Administration originally sought, the regulatory flexibility provided by the bill will be useful, especially with regards to the Administration's EZ/EC initiative. The legislation would provide 60 sites of which EZs/ECs will receive a minimum 20 designations with an additional 20 sites available for non EZ/ECs. The bill would provide the CEB with coordination authority, and regulations could be waived much more easily than under existing guidelines. However, the lack of statutory waiver authority means the heart of the problem for local communities is still not being addressed.

I believe there is a strong consensus in the Administration to redouble our efforts to obtain greater statutory flexibility and waiver authority. It is clear that flexibility is one of the few incentives the Administration has to assist local governments and promote community-based strategies and cooperation between local governments and the communities. In addition, waiver authority is a campaign promise. In Putting People First, the President and Vice President promised to create a City Assistance Flexibility Program to allow cities to redirect the use of 15% of the federal assistance they receive to meet their own community priorities and fund their local revitalization efforts.

The problem is how to acquire this authority from a Congress that is highly protective of their turf. After having experienced the resolve of Congress on this issue for the past year and a half I recommend the following strategy:

**A New Waiver Strategy: Divide And Conquer**

I suggest we adopt a two-prong strategy. First, we should continue to pursue our original legislative proposal of broad waiver authority for state and local governments to be coordinated through the CEB and the DPC. However, unlike this past year, we will need the

active involvement of high profile administrative officials. It would probably make sense to appoint one lead administration official -- such as Secretary Shalala, Secretary Riley, Director Rivlin, General Reno -- who would lead the fight for this legislation and would serve as the Administration contact with Members of Congress. We cannot achieve passage of this bill without this support. In addition, when we reintroduce this bill, we should state explicitly that it is an Administration priority and is integral to our reinventing government efforts.

One issue related to reintroduction is whether we should submit this legislation as a free-standing bill or instead incorporate it as a rider on the welfare reform bill. The advantage of the rider approach is that waivers complement welfare reform and it will increase the likelihood of passage for the waiver bill. The problem is that waiver title of the bill might make the welfare reform bill subject joint jurisdiction or sequential referral in the House of Representatives. In addition, the waiver issue is not solely the focus of HHS, it also includes economic development, rural development, housing, transportation, etc.

Second, the President should issue a memorandum directing OMB and all other agencies to 1) include, where appropriate, waiver language in legislation the Administration submits to Congress, 2) request, where appropriate, that waiver authority be included on legislation that the Administration is asked to comment on through the Statement of Principles (SAP) process, and 3) direct the DPC and the CEB to coordinate and develop a streamlined application process for this additional waiver authority for rural and urban communities that come forward with a strategic plan. This legislative approach will give us the flexibility to work with one committee chairman at a time instead of six or seven as we did during this past year. On a one on one basis, I believe we can convince the various chairmen to provide the executive branch with additional waiver authority. If we have to deal with all six chairmen at once, we may get stonewalled again. The disadvantage of this approach is that it will take a longer time period to achieve broad waiver authority for the Administration.

### **Take The High Ground**

One possible alternative to the divide and conquer option would have the Administration to take the high ground on the issue of Federalism in general and introduce with considerable fanfare a broad waiver/flexibility bill. We would present this legislation as a core component of our reinventing government initiative and challenge Congress to recognize that the traditional programs are not sufficiently flexible to respond to the creative ideas and solutions to community problems being developed at the state, local, and community level. Even if the legislation becomes too controversial to pass, it would serve to change the debate on this issue and would underscore that the President is a leader on this subject. In addition, a bolder approach might entice a compromise bill similar to the one introduced by us this past year.

### **Recommendation**

I recommend that you establish a DPC working group to develop, in consultation with the NEC, OMB, and OVP, a policy proposal and legislative strategy.

\_\_\_\_\_ Approve "Divide and Conquer" Option

\_\_\_\_\_ Approve "Take the High Ground" Option

\_\_\_\_\_ Approve creation of working group to develop policy proposal  
and legislative strategy

\_\_\_\_\_ Discuss Further

cc: Bruce Reed  
Bill Galston  
Gene Sperling  
Kathi Way  
Jeremy Ben-Ami  
Mickey Levitan  
Gaynor McCown  
Urban Working Group Co-Chairs

Today, President Clinton continues his efforts to end welfare as we know it by granting two more states - Missouri and Montana - the flexibility to reward work over welfare. Like previous welfare reform efforts, these states will use the freedom from federal rules to reward work, make welfare a transitional system, demand parental responsibility, and strengthen child support enforcement.

As a former governor, the President recognizes states as the nation's laboratories. In two years, this Administration has approved 30 welfare demonstrations in 27 states, granting waivers to governors of both parties for a variety of reform efforts. In an average month, the welfare demonstrations cover approximately 6.3 million people, representing 45 percent of all recipients.

The themes of work, responsibility and family are consistent messages and goals of the state demonstrations. Some are targeting specific approaches, while others are experimenting with many program components. Some are testing projects in a single county, while others are ambitiously undertaking statewide efforts. All are using incentives and sanctions with the primary goal of moving people into work. States are also making important strides in increasing child support collections, requiring teenage parents to live at home and stay in school, and demanding parental responsibility.

Welfare reform demonstrations granted under President Clinton's leadership have begun the move toward a new welfare system. As President Clinton has said, "We won't have ended welfare as we know it until its central focus is to move people off welfare and into a job so that they can support themselves and their families." National reform, embodying the principles of work and responsibility and building on the success of state demonstrations, will truly offer hope and opportunity for millions of families and children.

Since January 1993, the Department of Health and Human Services has approved welfare demonstration projects in Arkansas, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Michigan, Mississippi, Missouri, Montana, Nebraska, New York, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Vermont, Virginia, Wisconsin and Wyoming.

## MISSOURI

"Missouri Families - Mutual Responsibility Plan" requires AFDC recipients to sign and fulfill a self-sufficiency agreement that establishes a plan for work and places a two-year time limit on benefits. An additional two years may be allowed, if necessary, to achieve self-sufficiency.

Individuals who are not self-sufficient by the end of the time limit must participate in job search or work experience programs. Those who have received AFDC benefits for 36 months or more and have completed their agreement by leaving AFDC will not be eligible for further benefits, with certain good cause exceptions. Children's benefits will not be affected.

Minor parents must live with their parents or guardians to receive benefits. If they attend school full-time and work, they may keep all employment income. In some counties, non-custodial parents who volunteer for the state's JOBS program can receive credit against past-due child support.

For two-parent families with at least one parent under 21, the limit will be waived on the number of hours the principal wage earner can work. The resource limits will be increased for all families, and they may own one automobile, without regard to its value.

Missouri's application was received in two parts, on August 15, 1994, and January 30, 1995, and was approved on April 18, 1995.

### MONTANA

Montana's "Families Achieving Independence" has three components: the Job Supplement program, AFDC Pathways program, and Community Services program.

The Job Supplement program helps at-risk families avoid becoming welfare dependent by providing a one-time payment of as much as three times the monthly AFDC payment the family would otherwise be eligible to receive. Child support collections will also be passed directly on to the custodial parent.

Other AFDC applicants must enroll in the AFDC Pathways component and sign a Family Investment Agreement that limits benefits to 24 months for one-parent families and 18 months for two-parent families, with some exceptions. Income disregards and asset limits will be raised, and recipients must participate in JOBS, comply with child support enforcement provisions, and obtain medical screenings and immunizations for their children. Adults who do not leave AFDC by the end of the time limit must enroll in the Community Services program and perform 20 hours of community work per week. Children's AFDC benefits will not be time-limited, and they will continue to be eligible for Medicaid and food stamps.

All participants must also choose between a reduced Medicaid benefit package and a partial premium payment towards a private health insurance policy. Full Medicaid coverage will be provided on an emergency basis if certain services are needed for employment purposes.

Montana's application was received April 19, 1994 and approved on April 18, 1995.

## Talking Points

### Missouri Waiver - Missouri Families Mutual Responsibility Plan

"Thank you, Governor Carnahan, for proving once again that the states, just as James Madison and Thomas Jefferson intended, are still the laboratories of democracy, still capable of leading the way to change things that don't work in this country, and to unleash the potential of our citizens."

President Clinton

**On April 18, 1995, Missouri becomes the 26th state to be granted a welfare reform waiver from the Clinton Administration, allowing the state to test innovative welfare reform strategies. Continuing our commitment to state flexibility and real welfare reform, the Clinton Administration supports Missouri's efforts to move families from dependency to economic self-sufficiency.**

**Missouri's welfare demonstration project reflects President Clinton's principles for welfare reform: work and responsibility. Missouri's Families Mutual Responsibility Plan leads people toward the freedom of work rather than the confines of dependence, by making work pay, promoting parental responsibility, and focusing on young people.**

**Missouri's waiver demonstration embodies President Clinton's ideal that welfare should be a transitional support system, rather than a way of life, by providing opportunity, but demanding responsibility in return. With the approval of this waiver, Missouri becomes the 13th state to test time-limited benefits. Similar to the personal employability plan provision in the Work and Responsibility Act of 1994, welfare recipients in Missouri's demonstration will be required to sign a self-sufficiency contract with a 24 month limit on the receipt of AFDC benefits. When necessary benefits could be extended for an additional 24 month period, but sanctions will be imposed on individuals who do not make a good faith effort to comply.**

**Missouri is making work pay. By increasing the resource limit, earned income disregards, and the automobile asset limit, Missouri has created an economic support system that provides incentives to encourage families to work and not stay on welfare.**

**Like the Clinton Administration, Missouri is seeking to ensure that children receive financial and emotional support from both parents. The Missouri waiver demonstration project includes a provision that allows non-custodial parents credit against state child support debt for participating in the JOBS program, providing the education and training they may need to obtain a job and enable them to meet their child support obligations:**

**Missouri's Families Mutual Responsibility Plan includes important prevention and parental responsibility components. Similar to provisions of President Clinton's welfare reform plan, Missouri is sending a clear message to teen parents that having children is an immense responsibility rather than an easy route to independence. Missouri is committed to providing the support needed to end long-term welfare dependency by requiring minor mothers to live at home or with a responsible adult, providing incentives for minor parents to stay in school, and eliminating the 100 hour rule for parents under age 21 in the AFDC Unemployed Parents (AFDC-UP) program.**

## Talking Points

### Montana Waiver - Families Achieving Independence for Montanans (FAIM)

"Montana's project provides positive work incentives, support for two-parent families, and opportunities for at-risk families to avoid long-term welfare dependency."

Secretary Shalala

**On April 18, 1995, Montana becomes the 27th state to receive approval from the Clinton Administration to test innovative welfare reform strategies. Under the Clinton Administration, now more than half the states have been granted the opportunity to do real welfare reform, reinforcing the President's commitment to allow state flexibility and end welfare as we know it.**

**Montana's welfare demonstration project builds on the principles of President Clinton's vision for welfare reform: promoting work and responsibility, without punishing poor children. Montana's Families Achieving Independence for Montanans (FAIM) program is focused on work with both incentives and requirements for recipients to transition from welfare to economic self-sufficiency.**

**Montana is seeking to prevent welfare dependency. The Clinton Administration and the American people agree that the best reform of welfare would be to ensure that people do not need it in the first place. That is why Montana has created the Job Supplement program (JSP), as part of their waiver demonstration, which will help at-risk families avoid becoming dependent on public assistance. Families going through a financial crisis can receive a one-time payment of as much as three times the regular AFDC monthly payment, without affecting their food stamp eligibility.**

**Like President Clinton, Montana recognizes that enforcing child support is critical to helping recipients move from dependency to self-sufficiency. As part of the JSP, the state will pass through child support collections directly to the custodial parents and provide priority child support services to these at-risk families.**

**The FAIM project focuses on moving people from dependence to independence from the very first day an individual enters the welfare office. Similar to the personal employability plan provision in the Work and Responsibility Act of 1994, welfare recipients in the FAIM demonstration will enter into an "Family Investment Agreement" requiring parents to take action to secure child support, participate in JOBS, and comply with child immunization requirements. Sanctions will be imposed on adult recipients who fail to comply with these program requirements.**

**Montana's waiver demonstration embodies President Clinton's ideal that welfare should be a transitional support system, rather than a way of life, by providing opportunity, but demanding responsibility in return. With the approval of this waiver, Montana becomes the 14th state to test time limited benefits. Montana is limiting adults benefits to a maximum of 24 months for single parent families and 18 months for two parent families. Adult recipients who have not left AFDC at the end of the time limit will be required to enroll in the Community Services Program and perform 20 hours of community service per week.**

**The Montana FAIM project provides real incentives to make work pay. Montana's waiver permits the state to increase work expenses, child care, and earned income disregards, as well as automobile asset limits, making work more attractive than welfare. The state will also eliminate the 100 hour rule for recipients in the AFDC Unemployed Parents (AFDC-UP) program, encouraging two-parent families to work and stay together.**

## More Than Half the Nation Enacting Welfare Reform Under the Clinton Administration

The Clinton Administration has approved 30 demonstrations in 27 states, launching welfare reform for thousands of families in half of the states, more than the two previous Administrations combined. In an average month, the welfare demonstrations cover approximately 6.3 million people, representing 45 percent of all recipients. All of the waivers which we have granted build on many of the central principles of President Clinton's vision for welfare reform, including:

PRINCIPLE	DESCRIPTION	STATES APPROVED
Work	<i>Eighteen states</i> are helping people move from welfare to work, from receiving welfare checks to earning paychecks, by increasing education and training opportunities and creating public/private sector partnerships.	18 - Connecticut, Florida, Georgia, Hawaiï, Indiana, Michigan, Mississippi, Missouri, Montana, Nebraska, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Vermont, Wisconsin, Wyoming
Time Limited Cash Assistance	<i>Fourteen states</i> are making welfare a transitional support system, rather than a way of life, by providing opportunity, but demanding responsibility in return.	14 - Colorado, Connecticut, Florida, Indiana, Iowa, Michigan, Missouri, Montana, Nebraska, Oklahoma, South Carolina, South Dakota, Vermont, Wisconsin
Child Support Enforcement	<i>Twelve states</i> are strengthening child support enforcement and sending a clear message that both parents must be responsible for their children.	12 - Connecticut, Indiana, Michigan, Mississippi, Missouri, Montana, New York, Ohio, Oregon, Vermont, Virginia, Wisconsin
Making Work Pay	<i>Twenty-Three states</i> are providing incentives and encouraging families to work not stay on welfare, so they can achieve and maintain economic self-sufficiency.	23 - California, Colorado, Connecticut, Florida, Illinois, Indiana, Iowa, Michigan, Mississippi, Missouri, Montana, Nebraska, New York, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Vermont, Virginia, Wisconsin, Wyoming
Parental Responsibility	<i>Twenty states</i> are promoting parental responsibility by encouraging education, or limiting benefits for families who have another child while on AFDC.	20 - Arkansas, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Mississippi, Missouri, Nebraska, New York, Ohio, Oklahoma, Pennsylvania, South Carolina, Vermont, Virginia, Wisconsin, Wyoming

WR-Waivers

Bruce - FYI on Vermont, Ohio, + Missouri. (See my e-mail.)  
Diana

Note to Diana Fortuna:

Attached are some talking points on three of the states represented at the NGA Summit on Children, tomorrow.

I think Vermont and Ohio's demonstration projects would be good to highlight, as they emphasize prevention and parental responsibility, e.g. staying school, minor mothers living at home. They also represent the Administration's long time commitment to state flexibility -- Vermont was the first waiver granted and Ohio was the 25th state to receive a waiver. Since Governor Dean is the current head of the NGA and the host of this Summit, it may be nice to talk about his program. However, Missouri's waiver is a little tougher in its time limit and it also has the personal employability plan provision (like in the Work and Responsibility Act) that we often like to promote. I think for each of these states you could make the case that they are focused on work and responsibility, without punishing children.

I hope this material is helpful. Please let me know if you have any questions or need additional information.

Toby

Note: Governors Glendening and Carlson do not have waivers that were granted by the Clinton Administration. Oregon does have a good waiver, focused on private sector employment, but it is very small and was granted before Governor Kitzhaber was in office. Wisconsin has a couple of waivers, but personally I think Thompson has gotten enough attention already!

**Talking Points****Vermont Waiver - Family Independence Project (FIP)**

**On April 12, 1993, Vermont became the FIRST state to receive approval from the Clinton Administration to test innovative welfare reform strategies. Early in his presidency, President Clinton made clear to the nation's governors his commitment to encourage state creativity and flexibility in the administration of public assistance programs. The Vermont welfare reform demonstration is further evidence of the Clinton Administration's support for allowing states to be, as they were intended, the laboratories of democracy.**

**Vermont's welfare demonstration project reflects President Clinton's principles for welfare reform: work and parental responsibility, without punishing children. Vermont's Family Independence Project (FIP) leads people toward the freedom of work rather than the confines of dependence, by strengthening families, providing opportunity, and demanding responsibility in return.**

**The Vermont program embodies President Clinton's ideal that welfare should be a transitional support system, rather than a way of life, by providing opportunity, but demanding responsibility in return. Under Vermont's Family Independence Program, parents on AFDC who have not found employment after 30 months are required to participate in subsidized community service jobs. Vermont has also expanded the JOBS program by requiring parents with younger children to participate.**

**Vermont is making work pay. Vermont's waiver permits the state to increase automobile asset limits and earnings disregards under AFDC, making work more attractive than welfare. In order to help ensure that people will be able to get off and stay off of welfare, Vermont has extended transitional Medicaid coverage for working families after they leave the welfare rolls. The state also will eliminate the 100 hour rule for recipients in the AFDC Unemployed Parents (AFDC-UP) program, removing a disincentive to work and promoting two parent families.**

**Like the Clinton Administration, Vermont recognizes that child support is critical to helping recipients move from dependency to self-sufficiency. Vermont is distributing child support payments directly to AFDC recipients, in order increase their real income and be able to support their families.**

**Vermont's demonstration project includes important prevention and parental responsibility components. The Administration and the American people agree that the best reform of welfare would be to ensure that people do not need it in the first place. That is why Vermont is going to expand its efforts to end long-term welfare dependency by focusing on young parents. Under Vermont's approved waiver pregnant and parenting minors are required to attend school or participate in an appropriate education or training activity. Minor mothers are required to live with their parents or in an approved supervised living arrangement.**

**STATE POLICY**

Vermont is currently restructuring its welfare system. In order to determine what initiatives are successful, the state is conducting a statewide project. Welfare recipients are divided into three groups. The first group consists of 20% of the welfare caseload who are subject to the rules of the pre-waiver system. The second group includes 20% of the caseload who are receiving enhanced benefits and additional transitional support. The majority of the caseload, 60%, make up the third group or experimental group. The recipients in the third group receive the enhanced benefits and additional support services, and in addition their welfare benefits are time limited. After 30 months, if a recipient of the third group has not found a private sector job, they are required to take subsidized employment.

 Vermont's JOBS program is called Reach-Up. The program is innovative in its case management of recipients and also in its information management system. The state works in partnerships with various community based programs and state postsecondary education institutions to provide the best case management for the welfare recipients. For example, minor parents are sent initially to Parent-Child Centers, where their needs are assessed and they are then referred to appropriate job and child rearing training programs. In order to promote recipients to pursue their education, the state has agreements with all of the state colleges to have case management on campus. Since these case managers may not be in one office or even city, the state has instituted a information management system called ACCESS. ACCESS allows case managers and welfare workers to go on-line to track welfare recipients' case histories and update their records.

**Talking Points**  
**Ohio Waiver - "A State of Opportunity"**  
**March, 1995**

**"Ohio has an exciting plan to change welfare from a hand out to a hand up. In partnership with local businesses, Ohio will create jobs that will raise working welfare families out of poverty to economic independence."**

**Secretary Shalala**

**On March 7, 1995, Ohio becomes the 25th state to receive approval from the Clinton Administration to test innovative welfare reform strategies, surpassing the amount of welfare waivers granted by all previous administrations. Continuing its commitment to state flexibility and real welfare reform, the Clinton Administration supports Ohio's efforts to move families from dependency to real opportunity.**

**Ohio's welfare demonstration project reflects President Clinton's principles for welfare reform: work and responsibility. Ohio's "A State of Opportunity" program leads people toward the freedom of work rather than the confines of dependence, by strengthening families, providing opportunity, and demanding responsibility in return.**

**The Ohio program provides incentives and encourages families to work not stay on welfare, so they can achieve and maintain economic self-sufficiency. Ohio will increase the incentives for welfare recipients to go to work by providing wage subsidies and forging new public/private sector partnerships. Building on President Clinton's community economic development efforts, Ohio will subsidize employment primarily in Administration designated Enterprise Zones.**

**Ohio is making work pay. Ohio's waiver permits the state to increase automobile asset limits and earnings disregards under AFDC, making work more attractive than welfare. In order to help ensure that families can get off and stay off of welfare, Ohio has received approval to extend child care benefits to families after they leave the welfare rolls. The state also will eliminate the 100 hour rule for recipients in the AFDC Unemployed Parents (AFDC-UP) program, removing a disincentive to work and promoting two parent families.**

**Unlike the House Ways and Means Committee Republicans, Ohio rightly focuses on increasing child support collections. Like the Clinton Administration, Ohio recognizes that establishing paternity and enforcing child support are critical to helping recipients move from dependency to self-sufficiency. Ohio is the first state to request and receive approval to pay a one-time cash bonus for paternity establishment for children on AFDC. The State will also increase the amount of child support "pass through", which allows families to receive a portion of the child support payment and not be penalized in their normal AFDC benefits.**

**Ohio's demonstration project includes important prevention and parental responsibility components. The Administration and the American people agree that the best reform of welfare would be to ensure that people do not need it in the first place. That is why Ohio is going to expand its efforts to end long-term welfare dependency by focusing on school attendance and achievement for young parents and their children. Under Ohio's approved waiver dependent children will be required to attend school regularly with financial penalties for failure to comply. This is in addition to the ongoing, Learning, Earning, and Parenting Program (LEAP), which has provided fiscal sanctions and bonuses to pregnant and parenting teens to encourage regular school attendance and completion.**

## Case Study: Ohio's "State of Opportunity" program

Ohio received approval from the Clinton Administration to implement its "State of Opportunity" welfare reform program on March 7, 1995. The goal of the new project is to increase the incentives for welfare recipients to go to work. The key elements of the State of Opportunity program include working with the private sector to create wage-supplemented jobs for welfare recipients, expanding eligibility for two parent families, extending transitional child care for those moving from welfare to work, increasing earnings disregards, and encouraging education by requiring school attendance for dependent children. The project builds on Ohio's Learning, Earning and Parenting (LEAP) Program, implemented in 1989, in which teen parents are encouraged to stay in, or return to school. The demonstration will operate for five years.

**Talking Points****Missouri Waiver - Missouri Families Mutual Responsibility Plan****April, 1995**

**"Thank you, Governor Carnahan, for proving once again that the states, just as James Madison and Thomas Jefferson intended, are still the laboratories of democracy, still capable of leading the way to change things that don't work in this country, and to unleash the potential of our citizens."**

**President Clinton**

**On April 18, 1995, Missouri becomes the 26th state to be granted a welfare reform waiver from the Clinton Administration, allowing the state to test innovative welfare reform strategies. Continuing our commitment to state flexibility and real welfare reform, the Clinton Administration supports Missouri's efforts to move families from dependency to economic self-sufficiency.**

**Missouri's welfare demonstration project reflects President Clinton's principles for welfare reform: work and responsibility. Missouri's Families Mutual Responsibility Plan leads people toward the freedom of work rather than the confines of dependence, by making work pay, promoting parental responsibility, and focusing on young people.**

**Missouri's waiver demonstration embodies President Clinton's ideal that welfare should be a transitional support system, rather than a way of life, by providing opportunity, but demanding responsibility in return. With the approval of this waiver, Missouri becomes the 13th state to test time-limited benefits. Similar to the personal employability plan provision in the Work and Responsibility Act of 1994, welfare recipients in Missouri's demonstration will be required to sign a self-sufficiency contract with a 24 month limit on the receipt of AFDC benefits. When necessary benefits could be extended for an additional 24 month period, but sanctions will be imposed on individuals who do not make a good faith effort to comply.**

**Missouri is making work pay. By increasing the resource limit, earned income disregards, and the automobile asset limit, Missouri has created an economic support system that provides incentives to encourage families to work and not stay on welfare.**

**Like the Clinton Administration, Missouri is seeking to ensure that children receive financial and emotional support from both parents. The Missouri waiver demonstration project includes a provision that allows non-custodial parents credit against state child support debt for participating in the JOBS program, providing the education and training they may need to obtain a job and enable them to meet their child support obligations.**

**Missouri's Families Mutual Responsibility Plan includes important prevention and parental responsibility components. Similar to provisions of President Clinton's welfare reform plan, Missouri is sending a clear message to teen parents that having children is an immense responsibility rather than an easy route to independence. Missouri is committed to providing the support needed to end long-term welfare dependency by requiring minor mothers to live at home or with a responsible adult, providing incentives for minor parents to stay in school, and eliminating the 100 hour rule for parents under age 21 in the AFDC Unemployed Parents (AFDC-UP) program.**

## MEDICAID WAIVER SUMMARY

A Medicaid demonstration waiver (often called an 1115 waiver) allows a state to deviate from the law for research purposes. Without a waiver, a state may not enroll Medicaid beneficiaries in managed care, vary benefits within the state, or extend coverage to the uninsured.

A second type of waiver, known as a freedom-of-choice or 1915b waiver, also allows states to use managed care, but is more restrictive than an 1115 waiver. These waivers are not discussed here.

### Approved: 10 states

- o **Implemented:**
  - Oregon
  - Hawaii
  - Rhode Island
  - Tennessee
  
- o **Not Yet Implemented:**
  - Kentucky (suspended by legislature)
  - Florida (awaiting legislative action)
  - Ohio (1/1/96)
  - Massachusetts (1/1/96)
  - Minnesota
  - Delaware

### Under Review: 10 states (with date of waiver request)

- |                           |                           |
|---------------------------|---------------------------|
| o New Hampshire (6/94)    | o Illinois (9/94)         |
| o Georgia (12/94)         | o Louisiana (1/95)        |
| o Vermont (2/95)          | o Oklahoma (1/95)         |
| o New York (3/95)         | o Kansas (3/95)           |
| o Missouri (amended 3/95) | o Kentucky (amended 3/95) |

### Concepts Discussed with HHS:

- |              |         |
|--------------|---------|
| o Alabama    | o Texas |
| o New Jersey | o Utah  |
| o Montana    |         |

### Withdrawn:

- o South Carolina

## MEDICAID WAIVER ISSUES

Of the 10 Medicaid waivers HHS has approved to date, most have followed a similar pattern -- place Medicaid beneficiaries in managed care plans and use the savings to extend Medicaid eligibility to uninsured people not otherwise eligible under the law. In contrast, some of the newer waivers appear to be designed to solve state budget problems by mandating managed care and/or shifting costs to the federal budget, without extending coverage to the uninsured.

Questions about benefits of waiver: These two waivers have generated some intense opposition, particularly in urban areas.

**Illinois** -- Would mandate managed care. State has a very poor history with Medicaid program. New issue is how state will pay \$1.3 billion in back payments owed to providers.

**New York** -- Would mandate managed care and shift costs from state-financed program to Medicaid. Interaction with significant Medicaid budget cuts proposed by Governor has generated intense anxiety, particularly in New York City. (ADD RESOLUTION OF MEDICAID BUDGET CUTS, IF KNOWN) City Council alternative to plow back savings into system doesn't appear to be budget neutral.

Budget Neutrality: Administration policy is that waivers must be budget neutral. A GAO study and interest by Congress have increased scrutiny in this area. Budget neutrality has been an issue for most waivers.

**Louisiana** -- Waiver is motivated by problem with state Medicaid financing: Congress's curb on states' ability to use disproportionate share hospital (DSH) payments as the state share of Medicaid affects Louisiana dramatically -- the financing for over half of its share of Medicaid will be eliminated as of July 1.

The Governor's proposal would create a new public managed care entity and add uninsured persons to Medicaid. Preliminary analysis by HHS indicates serious budget neutrality issues. Private providers and some legislators are working on an alternative.

**Vermont** -- Would mandate managed care, cover the uninsured up to 150% of poverty level, and give lower-income Medicare beneficiaries a prescription drug benefit. OMB has concerns about budget neutrality of prescription drug benefit; state is very committed to this feature of its proposal. OMB and HHS want to resolve soon.

**Montana** -- Not yet submitted but raises concerns. State would extend Medicaid coverage for mental health services only. Appears to be designed to shift costs from state-funded mental health programs to Medicaid. Could set significant precedent if approved.

Other:

Tennessee -- Approved in 1993, implemented January 1994. Imposed managed care, cut rates significantly, added coverage for most uninsured. Reports that some providers and Blue Cross are very unhappy; some HMOs unable to arrange specialty care. Pools promised by the state to compensate essential community providers have not materialized due to state budget constraints. GAO report being prepared. (WHAT WILL IT SAY?)

District of Columbia -- Would enroll disabled children in managed care. Initial concerns about D.C.'s capacity to run program, use of sole source provider, and ADA compliance. These may be resolved, but issue has surfaced in Washington Post in the past.

## UPCOMING WELFARE WAIVER ISSUES

**Massachusetts and Virginia:** These states would impose the most stringent requirements on welfare we have seen yet. Massachusetts is more time sensitive because the Governor wants to implement it July 1; the 120-day period ends in August.

Massachusetts would impose a work requirement after 60 days. Mayor Menino, the AFL-CIO, and the Cardinal oppose the waiver, but Democrats in the state legislature approved it. Virginia is on a slower timetable. It includes a work requirement after 90 days and full family sanction for refusing to cooperate with work programs.

**California:**

WR-Waivers

**PRESIDENT CLINTON DELIVERS ADDRESS ON WELFARE REFORM AT  
NATIONAL ASSOCIATION OF COUNTIES**

**Tuesday, March 7, 1995**

In an address to the National Association of Counties this morning, President Clinton will outline the concrete steps he has taken to reform our country's welfare system by giving flexibility to the states, including awarding a welfare waiver to Ohio today, while Congress debates national reform. As of today, 25 states -- half the nation -- have received welfare reform waivers from the Clinton Administration, more than twice as many states as the Bush Administration approved during four years. In his remarks today, the President will also urge Congress to include tougher measures on "deadbeat dads" in the welfare proposals they are considering, including license revocation for those who refuse to take responsibility for their children and pay what they owe. In broader terms, the President will reiterate the values that must guide reform of welfare: work, family, and personal responsibility.

Nothing has done more to undermine our sense of responsibility than our failed welfare system. It rewards welfare over work. It undermines family values. It lets millions of parents get away without paying child support. That is why President Clinton has worked hard to reform welfare, last year sending to Congress the most comprehensive welfare reform legislation to date, and over the past two years consistently giving states the flexibility they need to find their own ways to reform welfare.

When the welfare waivers approved by the Clinton Administration are fully implemented, some 6 million people representing 42 percent of all recipients will be affected in an average month.

Governors support the President's efforts to allow state experimentation. Statements of support from Governor of Florida Lawton Chiles and Governor of Vermont Howard Dean are attached. Following are excerpts of a recent statement by Indiana Governor Evan Bayh:

"President Clinton deserves much praise for the efforts of his administration to provide states with greater flexibility to revamp their welfare programs ... Indiana is moving forward - in an aggressive, but fair manner -- to implement a statewide initiative that emphasizes the dignity of work and the importance of personal responsibility. We could not do this without President Clinton's support."

President Clinton will be introduced for his remarks today by President of the National Association of Counties Randy Franke.

Fact sheets on the Clinton Administration's record on welfare waivers, on Ohio's waiver, and on child support enforcement, including the license revocation proposal, are attached.

March 7, 1995

## THE CLINTON RECORD ON WAIVERS

Since President Clinton summoned the country to "end welfare as we know it," the Administration has encouraged states to initiate demonstration on welfare reform. As a former governor, the President recognizes states as the nation's laboratories and their need for the flexibility to innovate and experiment. **In two years, this Administration has approved 26 demonstrations in 25 states, launching welfare reform for thousands of families in nearly half of the states. In an average month, the welfare demonstrations cover approximately 6 million people, representing 42 percent of all recipients.**

The themes of work, responsibility and family are consistent messages and goals of the state demonstrations. Some are targeting specific approaches, while others are experimenting with many program components. Some are testing projects in a single or a few counties, while others are ambitiously undertaking statewide efforts. All are using incentives and sanctions with the primary goal of moving people into work. States are also making important strides in increasing child support collections, requiring teenage parents to live at home and stay in school, and rewarding parental responsibility.

**Fifteen states are helping people move from welfare to work, from receiving welfare checks to earning paychecks, by increasing education and training opportunities and creating public/private sector partnerships: Connecticut, Florida, Georgia, Hawaii, Michigan, Mississippi, Oregon, South Carolina, South Dakota, Vermont, Wisconsin, Wyoming, Indiana, Ohio, Nebraska.**

**Eleven states are making welfare a transitional support system, rather than a way of life, by providing opportunity, but demanding responsibility in return through time limit's: Colorado, Connecticut, Florida, Indiana, Iowa, Michigan, South Carolina, South Dakota, Vermont, Wisconsin, Nebraska.**

**Ten states are strengthening child support enforcement and sending a clear message that both parents must be responsible for their children: Connecticut, Indiana, Michigan, Mississippi, New York, Oregon, Vermont, Virginia, Wisconsin, Ohio.**

**Twenty states are providing incentives and encouraging families to work not stay on welfare, so they can achieve and maintain economic self sufficiency: California, Colorado, Connecticut, Florida, Illinois, Indiana, Iowa, Michigan, Mississippi, Nebraska, New York, Ohio, Oregon, Pennsylvania, South Carolina, South Dakota, Vermont, Virginia, Wisconsin, Wyoming.**

Seventeen states are testing school attendance and achievement provisions: Arkansas, California, Colorado, Connecticut, Florida, Illinois, Indiana, Mississippi, Nebraska, New York, Ohio, Oklahoma, Pennsylvania, South Carolina, Vermont, Virginia, Wyoming.

Five states are testing the family cap, which limits benefits for families who have another child while on AFDC: Arkansas, Georgia, Indiana, Nebraska, Wisconsin.

Four states have specific provisions for teen parents: Arkansas, California, Ohio, Vermont.

Eight states are approved to operate enhanced subsidized employment programs: Connecticut, Florida, Indiana, Mississippi, Ohio, Oregon, South Carolina, Vermont.

Six states have immunization health requirements: Colorado, Florida, Indiana, Missouri, Mississippi, South Carolina.

# HHS NEWS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOR IMMEDIATE RELEASE  
Tuesday, March 7, 1995

Contact: Michael Kharfen  
(202) 401-9215

## HHS APPROVES OHIO WELFARE DEMONSTRATION 25TH STATE TO RECEIVE WELFARE WAIVER

HHS Secretary Donna E. Shalala today approved "A State of Opportunity," a welfare demonstration project in Ohio designed to move welfare recipients into jobs ensuring family stability and self-sufficiency. Ohio is the 25th state to receive approval to test innovative welfare reform strategies under the Clinton administration.

"The Clinton administration has now given half of all states the opportunity to test innovative welfare reform approaches -- more than all previous administrations combined," said Secretary Shalala. "When these waivers are fully implemented, some 6 million people representing 42 percent of all recipients will be affected in an average month.

"This reflects our commitment to state flexibility. It equally reflects our commitment to end welfare as we know it and to create a system built on work and responsibility," Shalala said.

The Ohio demonstration has three components: Families of Opportunity, Children of Opportunity, and Communities of Opportunity.

Communities of Opportunity will operate in up to five sites, primarily in Empowerment Zone/Enterprise Communities. At these sites, the state will work with local business, industry and community leaders to generate up to 2,500 wage-supplemented jobs during the five-year life of the demonstration. These jobs are expected to pay at least \$8 per hour and provide the economic stability for a family to leave welfare permanently. Wages will be partially subsidized using funds that otherwise would have been paid as AFDC or Food Stamps.

Families of Opportunity increases opportunities for families to attain independence and ensure stability. It expands eligibility for two-parent families, extends transitional child care for up to 18 months for those leaving welfare as a result of employment, and increases the amount of earnings a family can retain before losing AFDC eligibility. It will operate in ten counties.

Also under the Families of Opportunity component, a one-time cash bonus of \$150 will be paid when a child's paternity is established, and that amount will not count against AFDC benefits. In addition, in calculating AFDC benefits, the maximum value of a family-owned vehicle will be raised from \$1500 to \$4500.

Children of Opportunity will operate in two counties and will focus on education. Under this component, dependent children between 6 and 18 will be required to attend school regularly. Case management services will be available for families whose children have problems with school attendance, and there will be financial penalties for failure to comply.

"Ohio tests a number of promising ways to strengthen families, including incentives to establish paternity and ensure children regularly attend school," said Mary Jo Bane, HHS assistant secretary for children and families. "Now with 25 states exploring creative ways to reform welfare, millions of families are moving from dependency to real opportunity."

The project will operate for five years and will include a rigorous evaluation.

# # #



## OHIO

The Ohio demonstration has three components: Families of Opportunity, Children of Opportunity, and Communities of Opportunity.

Communities of Opportunity will operate in up to five sites, primarily in Empowerment Zone/Enterprise Community areas. In these sites, the state will work with local business, industry and community leaders to generate up to 2500 wage-supplemented jobs during the five-year life of the demonstration. These jobs are expected to pay at least \$8 per hour and provide the economic stability for a family to leave welfare permanently. Wages will be supplemented with Food Stamp allotments and AFDC grants.

Families of Opportunity expands eligibility for two-parent families, extends transitional child care for up to 18 months, and increases the amount of earnings a family can retain before losing AFDC eligibility. It will operate in ten counties.

Children of Opportunity will operate in two counties and will focus on education. Under this component, dependent children between 6 and 18 will be required to attend school regularly. Case management services will be available for families with attendance problems, and there will be financial penalties for failure to comply.

1993 AFDC cases 257,903, demonstration covers 22% of the caseload.

Ohio's request was received on May 28, 1994 and approved on March 7, 1995.

## Half the Nation Enacting Welfare Reform Under the Clinton Administration

The Clinton Administration has approved 26 demonstrations in 25 states, launching welfare reform for thousands of families in half of the states, more than the two previous Administrations combined. In an average month, the welfare demonstrations cover approximately 6 million people, representing 42 percent of all recipients. All of the waivers which we have granted build on many of the central principles of President Clinton's vision for welfare reform, including:

PRINCIPLE	DESCRIPTION	STATES APPROVED
<b>Work</b>	<i>Fifteen states</i> are helping people move from welfare to work, from receiving welfare checks to earning paychecks, by increasing education and training opportunities and creating public/private sector partnerships.	<i>15</i> - Connecticut, Florida, Georgia, Hawaii, Indiana, Michigan, Mississippi, Nebraska, Ohio, Oregon, South Carolina, South Dakota, Vermont, Wisconsin, Wyoming
<b>Time Limited Cash Assistance</b>	<i>Eleven states</i> are making welfare a transitional support system, rather than a way of life, by providing opportunity, but demanding responsibility in return.	<i>11</i> - Colorado, Connecticut, Florida, Indiana, Iowa, Michigan, Nebraska, South Carolina, South Dakota, Vermont, Wisconsin
<b>Child Support Enforcement</b>	<i>Ten states</i> are strengthening child support enforcement and sending a clear message that both parents must be responsible for their children.	<i>10</i> - Connecticut, Indiana, Michigan, Mississippi, New York, Ohio, Oregon, Vermont, Virginia, Wisconsin
<b>Making Work Pay</b>	<i>Twenty states</i> are providing incentives and encouraging families to work not stay on welfare, so they can achieve and maintain economic self-sufficiency.	<i>20</i> - California, Colorado, Connecticut, Florida, Illinois, Indiana, Iowa, Michigan, Mississippi, Nebraska, New York, Ohio, Oregon, Pennsylvania, South Carolina, South Dakota, Vermont, Virginia, Wisconsin, Wyoming
<b>Parental Responsibility</b>	<i>Nineteen states</i> are promoting parental responsibility by encouraging education, or requiring minor mothers to live at home, or limiting benefits for families who have another child while on AFDC.	<i>19</i> - Arkansas, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Mississippi, Nebraska, New York, Ohio, Oklahoma, Pennsylvania, South Carolina, Vermont, Virginia, Wisconsin, Wyoming

## LICENSE REVOCATION AND CHILD SUPPORT

To be successful, child support enforcement efforts must include measures to establish paternity, get child support awards in place, update them periodically, and collect them when they are owed. The President's child support enforcement plan includes improvements in all of these areas -- but is especially tough in collecting court-ordered awards. One important provision in the President's plan is requiring states to use the threat of revoking professional, occupational, and drivers' licenses to make delinquent parents pay child support.

License revocation is probably the most successful collection tool for child support enforcement, with the possible exception of wage garnishment. Threatening to revoke drivers and occupational licenses has been very effective in several states, especially for child support actions against self-employed parents whose wages can't be garnished.

The President has repeatedly urged members of the House of Representatives to include child support enforcement -- and license revocation in particular -- in their welfare reform bill. Elements of the Administration's proposal have now been included in several congressional bills, including proposed legislation by Congresswoman Marge Roukema, Senator Bill Bradley, and Senator Olympia Snowe.

Nineteen states use the threat of license revocation now, and many use drivers licenses as well as doctors', lawyers', architects', real estate agents', and wilderness guides' licenses.\* In Maine, the use of license suspension helped the state collect more than \$3 million just in the program's first three months. The technique has been so successful that only 40 licenses have actually had to be revoked -- in the other 21,000 cases, merely the threat of suspension was enough to collect the delinquent debt.

Despite this proven record of success, the Ways and Means Committee majority refused to include license revocation in its welfare reform bill. And when Democrats, led by Rep. Barbara Kennelly, tried to add the provision, they failed by one vote -- on a 17 to 17 tie.

Members of Congress of both parties have now joined President Clinton in urging that the license revocation provision be added. Just yesterday, Republican Congresswoman Marge Roukema wrote Speaker Gingrich to say that "Taking licenses away from deadbeats is one of the simplest, most effective and easy-to-understand tools available to us...Threaten to take away a deadbeat's car and you'll be surprised how fast he pays up."

\*States include: Arizona, Arkansas, California, Florida, Illinois, Iowa, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Montana, Nevada, Oklahoma, Oregon, Pennsylvania, South Dakota, Vermont, Virginia.



LAWTON CHILES  
GOVERNOR

STATE OF FLORIDA

# Office of the Governor

THE CAPITOL

TALLAHASSEE, FLORIDA 32399-0001

## STATEMENT GOVERNOR LAWTON CHILES, FLORIDA WELFARE REFORM and FLEXIBILITY

State flexibility is a critical issue as we begin the process of reforming welfare at the national level. The Clinton Administration has already demonstrated its commitment to state flexibility with its approval of more waivers than any previous administration. In Florida, welfare reform is already underway; the product of unprecedented cooperation from the federal government.

Florida's welfare reform initiative is a true laboratory of change. Our pilot projects in two counties are producing results. A mandatory pilot option in Escambia county has been operating for over one year and has already moved nearly 250 of the 1400 participants into full and part-time jobs. A voluntary pilot option in Alachua county has seen lower participation but higher participant success rates. We are learning much from these two pilot projects and plan to expand them to several more counties this year.

Without the leadership of the President, we would not have had this critical opportunity to begin moving people from welfare to work. The Department of Health and Human Services approved our waiver request in record time. The goal of state innovation should be to allow states to tailor solutions to the unique problems that face them. The Administration has been a consistent partner in empowering states to meet that important goal.



HOWARD DEAN, M.D.  
Governor

State of Vermont  
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March 7, 1995

The Honorable William J. Clinton  
President of the United States  
The White House  
Washington, D.C. 20500

Dear Mr. President:

As a former governor, you are well aware of the potential for the states, with a cooperative federal partner, to inform the national debate on public policy questions. Under your leadership, 25 states have been empowered to test a variety of welfare reforms. You have ensured that each state is granted the flexibility necessary to tailor its reforms to its unique needs.

Vermont is proud to be the first state to implement its welfare reform initiative on a statewide basis and equally proud to be the first welfare waiver approved by your administration. Our goal is to strengthen incentives to work and to ensure that dependence on cash assistance is transitional. In the first six months of our program, the number of employed participants grew by 19 percent and their average monthly earnings grew by 23 percent. Without your leadership and the streamlined waiver process you initiated, we would just be talking about welfare reform in Vermont.

Thank you again for your continued leadership and support.

Sincerely,

Howard Dean, M.D.  
Governor

HD/br

# State Welfare Reform Demonstrations



 **Clinton Administration**

As of January 25, 1995

 **Previous Administrations**

★ **Demonstration Also Approved in Previous Administrations**

WR-Weiners

**FACSIMILE TRANSMISSION**

TO: Carol Rocco

FROM: Michael S. Wald  
General Counsel Office  
Department of Health &  
Human Services

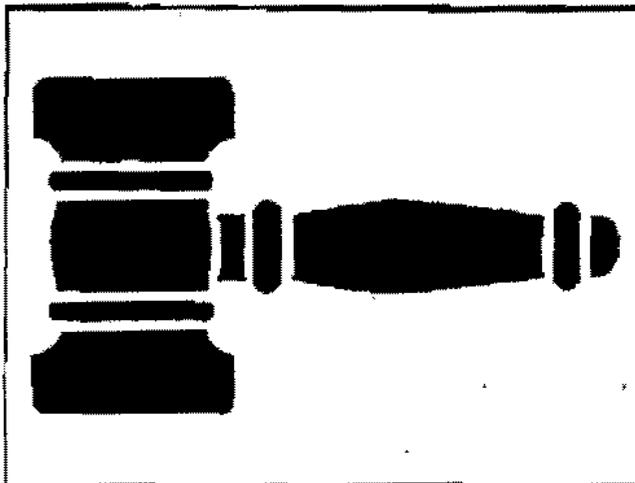
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Washington, D.C. 20201

4 pages



For tomorrow's 6 p.m. meeting.

**DRAFT CONFIDENTIAL****BACKGROUND AND ISSUES FOR DECISION:****DURATIONAL RESIDENCY REQUIREMENTS FOR WELFARE BENEFITS**

The administration must make a set of decisions in the next week defining our position on durational residency requirements for welfare benefits. The issues arise because the Bush administration granted \$1115 waivers to two States, California and Wisconsin, for demonstration projects that limited AFDC benefits of families that migrated into the state to the amounts that the family would have received in its prior state of residence, for a period of twelve months. Both projects (which differ in certain particulars) were challenged as unconstitutional and as an abuse of the Secretary's discretion to grant waivers.

HHS is a defendant in the the Wisconsin case, Y. C. v. Whitburn, which is about to be argued in federal district court. HHS has been asked by the court whether it is prepared to defend the constitutionality of the Wisconsin law and whether the Secretary had authority to approve the demonstration.

The California case, Green v. Anderson, to which HHS is not a party, led to a ruling in district court, upheld by the Ninth Circuit, that the residency requirement was an unconstitutional infringement of the right to travel and of the Equal Protection clause. The Supreme Court recently agreed to review this case. In a case related to Green, Beno v. Shalala, the Ninth Circuit vacated one of the waivers that California needs, as a matter of state law, to implement the residency requirement. California has asked the Department to regrant this waiver. It also has indicated to the Supreme Court that if the Department does not grant a new waiver, this could have the effect of mooting Green.

The decisions we must make are:

- o Whether to defend in the Wisconsin case. Briefs must be filed by November 30.
- o Whether to file an amicus brief with the Supreme Court in the California case. The deadline for briefs supporting the state has passed. Briefs opposing the residency requirement must be filed by December 13.
- o What action to take on California's request for a new waiver. Because this decision could determine whether or not an amicus brief is relevant, it needs to be made within the next week.

As we make our decisions, we need to keep in mind that Congress will almost certainly consider legislation this spring that would establish a state option for differential benefits for new migrants.

### Background

- o HHS believes that the California and Wisconsin residency requirements clearly are unconstitutional under current case law. We have denied state requests for waivers for new demonstrations of residency requirements and in August, prior to the time the Supreme Court agreed to review Green, we informed Wisconsin that we would not defend the constitutionality of its law.
- o HHS also believes that there are very important policy reasons for supporting the current constitutional standard and has asked the DOJ to argue that position to the Supreme Court, as an amicus in the California case. Among the reasons for opposing residency requirements are that (i) they may impair the success of welfare reform by making it more difficult for recipients in high unemployment-low benefit states to migrate in order to find employment; (ii) requiring families that have moved from a low benefit state to survive on these benefits in states with high costs of living such as California and Wisconsin can cause harm to children; and (iii) residency requirements restrict the free flow of labor necessary for national economic growth.
- o At the same time, we recognize that there are many proponents of residency requirements, who argue that they are both good policy and constitutional. The Supreme Court, in accepting certiorari in the California case, appears to be willing to reconsider its interpretation of the right to travel. The administration will be criticised if it takes an action that prevents Supreme Court review.

### Options

#### 1. Position on residency requirements.

The first issue is whether the administration wishes to indicate that it opposes residency requirements, as a matter of policy and/or law. If the answer is no, then we should take no action in Green and we should fully defend the Wisconsin demonstration. Since HHS believes that it is bad law, policy, and politics to take actions which implicitly or explicitly support welfare

benefit differentials based on residency, we recommend against this option.

If it is determined to oppose these laws, it is desirable to file an amicus brief; if the administration does not file a brief, the Court will assume administration support of these requirements, which may influence greatly the outcome.

NOT TRUE

## 2. Position on terminating demonstrations.

Even if it is decided to oppose residency requirements, it still must be decided whether to do so in a manner that tries to preserve the current litigation or whether we are willing to take actions to moot the cases.

(a) Moot cases. With respect to California, this would mean denying the State's request for a new waiver. For Wisconsin, this would require withdrawing the waiver. There are a number of justifications for taking these actions. The current HHS Secretary would almost certainly not have granted these waivers because of our belief that the policy is unconstitutional. It can be argued that we should not regrant or support waivers that we believe to be currently unconstitutional. The facts that we believe these are bad policy, especially when done state by state, and that Congress may be acting on a general residency scheme which will result in a full policy analysis in the context of national reform, are other justifications for denial.

The problem with this approach is that the administration will be accused of denying the States a day in court. With respect to Wisconsin, the State also may claim that we lack legal authority for this action.

(b) Oppose but not moot. An alternative would be to file the brief but take no action on California's waiver request, indicating to California that we are awaiting the outcome of the case before deciding whether to grant its request. This might still moot the case, since the waiver would not be "in effect", but it is possible that the Supreme Court would decide to hear the case as long as HHS has not denied the waiver, since it has already agreed to review the case knowing that the necessary waiver has been vacated and is pending before HHS.

In Wisconsin, we could ask the court to enjoin the implementation of Wisconsin's law pending the Supreme Court's decision in Green.

WR-Waivers

## Draft Outline of Waiver Issues and Future Directions

### I. Welfare Waivers

#### A. Background

1. The waiver process
2. Accomplishments to date
3. Expectations for the immediate future

#### B. Key Issues

1. Legal challenges
2. Interaction with national welfare reform
3. Congressional oversight
4. Implementation/feasibility
5. Budget issues
6. Recipient protection

### II. Medicaid Waivers

#### A. Background

1. The waiver process
2. Accomplishments to date
3. Expectations for the immediate future

#### B. Key Issues

1. Legal challenges
2. Interaction with national health reform
3. Congressional oversight
4. Implementation/feasibility
5. Budget issues
6. Recipient protection

### III. IHS Strategy for the Future

- A. Emphasize and articulate better a broad set of principles for each type of waiver--  
waivers would be specifically considered in light of these principles
- B. Tighten and clarify position/methodology on a few key issues

### IV. Welfare Waivers

#### A. Broad Principles:

1. The principles in the Work and Responsibility Act
  - a. Independence, work and responsibility
  - b. Support for and protection of those who play by the rules
  - c. Promotion of well-being of families and children
2. Genuine innovation
3. Operational feasibility
4. Cost neutrality
5. Careful evaluation
6. Open and inclusive review process

**B. Specific Policy Implications**

1. Time limits must be followed by work and/or safety nets
2. Medicaid cannot be cut off as part of a sanctioning process
3. Sanctions must be progressive and curable
4. Family caps need exceptions for rape and incest and provide some way of filling the gap through work or child support
5. Work slots should pay the minimum wage

**C. Other strategic issues**

1. Seek to promote innovations we are particularly interested in through work with states, using other 1115 demonstration authority
2. Avoid waivers which seem mostly designed to avoid Congressional intent, or which are not likely to offer new insights, especially when highly controversial.

**V. Medicaid Waivers****A. Broad Principles:**

1. The principles embodied in health reform efforts
  - a. Expanding coverage
  - b. Maintaining quality and access to services
  - c. Protecting existing beneficiaries
  - d. Encouraging efficiency
2. Genuine innovation
3. Operational feasibility
4. Cost neutrality
5. Careful evaluation
6. Open and inclusive review process

**B. Specific Policy Implications**

1. Specific protections for persons in managed care plans
2. Existing beneficiaries not removed from Medicaid
3. Services to persons outside the demonstration services not cut to provide new services to those in the demonstration.
4. Beneficiaries get some choice of plans.
5. Assurance of quality control and monitoring in place

**C. Other Issues**

1. Create a more systematic mechanism for determining and evaluating cost neutrality.
  - a. baseline rules including growth
  - b. what can be matched
  - c. DSH rules
  - d. reconciliation process
2. Seek to promote innovations we are particularly interested in through work with states, using 1115 demonstration authority
3. Avoid waivers which seem mostly designed to avoid Congressional intent, or which are not likely to offer new insights, especially when highly controversial.

DRAFT - NOVEMBER 7, 1994

**WELFARE REFORM DEMONSTRATIONS - ACF PROGRAMS**

**PURPOSE:** This paper describes the status of the Administration for Children and Families (ACF) section 1115 welfare reform demonstrations as well as some of the common characteristics that have emerged from their approval and implementation.

**BACKGROUND**

The Clinton Administration has now approved twenty one demonstrations in twenty States. Seven are fully statewide. These are California, Georgia, Iowa, North Dakota, South Dakota, Vermont and Wisconsin. Six states, Connecticut, Florida, Illinois, Michigan, Virginia and Wyoming have some provisions that are statewide but others that are being tried only in pilot sites. Eight states, Arkansas, Colorado, Hawaii, New York, Oklahoma, Oregon, Pennsylvania and Wisconsin have demonstrations in which all components are being implemented less than statewide. In addition, we are currently reviewing twenty three waiver applications from twenty one states (this includes four States already listed above which are seeking additional waivers). An additional nineteen welfare reform demonstrations being implemented in thirteen states were authorized by previous administrations (this includes six States which have received approval of additional waivers under this Administration). Waiver authority has been granted for periods ranging from three to eleven years, with most projects operating five years or less.

ACF involvement in considering proposed demonstrations often begins before a formal application is submitted, as federal and state staff discuss the proposal in regard to the innovations proposed, waivers needed, and the evaluation and cost neutrality requirements. When applications are submitted, proposed demonstration policies are reviewed in detail by a team composed of ACF staff and other Federal reviewers to identify issues and needed clarifications. The process of reaching an agreement with a State often requires involved discussions with the state to suggest improvements, and sometimes requires that policies be modified to insure that the demonstration's purpose meets the objectives of the Act and to bring them in line with our principles, especially in light of our responsibility to recipients. We follow a number of principles in considering waiver applications: avoiding harm to recipients within the demonstrations, rigorous evaluation, cost neutrality, and encouraging the testing of policies which are in line with the principles of the Work and Responsibility Act. ACF continues to work closely with the State after approval to help facilitate implementation and ensure rigorous evaluation of the program.

It also became clear some time ago that our open policy should be formalized. ACF and HCFA recently issued, in the Federal

Register (September 27, 1994), policy guidelines and requirements for public notice of waiver requests. The guidelines in this notice clarify the policy and procedures we believe are most productive and fair, and which will further promote the fullest possible airing of the proposed policies. Although most of the applications before us recently have had the period of public debate called for in the notice, this formal requirement will insure that such a process always occurs. It also commits us to publishing information about new applications in the Federal Register so that an even wider audience will be alerted, and it will establish a 30 day period for interested parties to provide comments before a decision to approve or disapprove is made.

#### MAJOR THEMES

The President's campaign positions on welfare reform and the public dialogue that was part of the development of the Work and Responsibility Act have had a very significant effect on the level of state interest and the content of demonstration proposals. Thus, the major themes of many of the state initiatives are those of Work and Responsibility. At the same time they are not exclusively so, and even where the goals are the same, many of the details are importantly different.

##### o Making Work Pay

A very common approach in many state efforts is to increase the amount of earned income an individual can receive and still retain welfare benefits. In addition, increases in the levels of assets one can accumulate and still retain eligibility, and easing the ability of recipients to become self-employed are common.

##### o Enhancing JOBS/Culture Change

Many state projects seek to strengthen the JOBS program as the centerpiece of a broader cultural change to make the welfare system more employment-focused. Common elements include eliminating some or all exemptions from mandatory participation and increasing sanctions for non-cooperation, combined with enhancing services and participation levels that could be done without waivers.

##### o Time Limits

Although time-limiting benefits is a common theme of many projects, most projects have not followed the Work and Responsibility model of following the time limit with a work for wages position. Much more common have been approaches in which the time limit is a signal for heightened attention to moving recipients toward employment, but which doesn't actually mandate work, or in which the time limit is followed by workfare. Only a few states are moving toward a work-for-wages model, and then only on a relatively small scale.

### o Family Caps

Four States have received waivers to eliminate additional AFDC benefits to families due to the birth of a child conceived while, or shortly after, receiving AFDC (Arkansas, Georgia, New Jersey and Wisconsin). These family cap provisions apply Statewide, except in Arkansas (where it applies in 2/3 of the State). In Georgia, the family cap is restricted to families which have been receiving AFDC for at least 24 months.

### o Linking Personal Responsibility to Benefits

In addition to linking benefits to behavior as part of an effort to promote self-sufficiency and participation in work programs, a number of states are linking benefits to personal responsibility in other ways. Sixteen states have received waivers that link benefits to school attendance or performance. An additional four states (Colorado, Florida, Georgia and Maryland) have received waivers to reduce benefits to families whose children have not received required immunizations.

### o Improving Governmental Assistance

Many states are seeking to more closely link AFDC and Food Stamp benefits in order to improve and simplify the programs.

### o Cost Neutrality

The principle of federal cost neutrality over the life of the project has been observed in all welfare reform demonstrations. In almost every case, a randomly assigned control group who receive services under the old rules has been used to determine what costs would have been in the absence of the project.

APPROVED STATE WELFARE REFORM WAIVER PROVISIONS

Effective: November 4, 1994

<u>Provision</u>	<u>State</u>
o Time Limit Benefits	CO, CT, FL, IA, SD, VT, WI(1)(7)(8)
o Limit Benefits for Additional Children	AR, GA(2), NJ, WI(3)(8)
o Eligibility for Pregnant Women With No Other Children, in 1st and 2nd Trimester	CA(3), ND
o Increase Income Disregard (Amount/Duration)	CA(2), CO, CT, FL, IA, IL, MI, MO, MN, NJ, OR(2), PA, SD, UT, VA(2), VT, WI(2)(3)(7)
o Increase Resource Limit	AL, CA(3), CO, CT, FL, IA, IL, MI, MO, NY(2), OR(2), PA, SD, UT, VA(2), VT, WY
o Disregard Resources in Special Accounts	CA(3), CT, IA, NY(1), NY(2), OR(2), PA, VA(2), WI(5)
o Increase Vehicle Asset Limit	CA(3), CO, CT, FL, IA, NY(2), OH, SD, UT, VA(2), VT, WI(6)
o Eliminate 100 Hour Rule	AL, CA(2), CT, FL, IA, IL, MI, MO, NY(2), PA, VT, WI(3)(7)
o Eliminate Labor Force Attachment Requirement	AL, CT, FL, IA, IL, MI, OR(2), PA, VT, WI(3)
o Impose Workfare Requirement	CT, IL, MO, VT, WI(7), WY
o Require Immunizations	CO, FL, GA(1), MD
o Limit JOBS Exemptions	AL, AR, CT, FL, IA, IL, MI, ND, NJ, OK, OR(1), UT, VT, WI(3), WY
o JOBS Participation for Non-Custodial Parents	AL, FL, IL, MI, NJ, NY(2), OR, UT, WI(3) WY
o Change in JOBS sanction	AL, CO, CT, GA(2), IA, IL, NJ, OR, VT, WI(3)(7), WY
o Extend Job Search	CT, HI, IA, MI, MN, NY(2), VT
o Benefits Linked to School Attendance/Performance	AR, CA(3), CO, CT, FL, IL, MD, NY(2), OH, OR, OK, PA, VA(1), VT, WI(1)(3), WY
o Cash-out Food Stamps	AL, CO, MN, MO, NY(1), OR(2), PA, UT, WI(7)
o Expand Transitional Benefits	CO, CT, FL, IA, IL, MN, NY(2), VA(2), WI(2)(7)

End Notes: State Codes followed by ( ) - State has more than one waiver demonstration approved.

LEGEND:

AL = Alabama - Avenues to Self-Sufficiency through Education and Training Services (ASSETS).

\*AR = Arkansas - Reduction in AFDC Birth Rates Project.

CA = California - (1) Automated Finger Print Image Reporting and Match (AFIRM);  
(2) Assistance Payments Demonstration Project (APDP);  
\*(3) Work Pays Demonstration Project (WPDP).

\*CO = Colorado - Colorado Personal Responsibility and Education Program (CPREP).

\*CT = Connecticut - A Fair Chance.

\*FL = Florida - Family Transition Program (FTP).

GA = Georgia - (1) Preschool Immunization Project (PIP);  
\*(2) Personal Accountability and Responsibility Project (PAR).

\*HI = Hawaii - Creating Work Opportunities for JOBS Families.

\*IA = Iowa - Iowa Family Investment Plan (IFIP).

\*IL = Illinois - Fresh Start Initiative.

MD - Maryland - Primary Prevention Initiative (PPI).

\*MI = Michigan - To Strengthen Michigan Families (TSMF).

MN = Minnesota - Minnesota Family Investment Plan (MFIP).

MO = Missouri - 21st Century Communities.

NJ - New Jersey - Family Development Program (FDP).

NY = New York - (1) Child Assistance Program (CAP);  
\*(2) JOBS First.

\*ND = North Dakota - Early Intervention Program (EIP).

OH = Ohio - Learning, Earning and Parenting (LEAP).

\*OK = Oklahoma - Oklahoma's Learnfare Project.

OR = Oregon - (1) JOBS Waiver Project;  
\*(2) Jobs Plus.

\*PA = Pennsylvania - Pathways to Independence.

\*SD = South Dakota - Strengthening South Dakota Families Initiative.

UT = Utah - Single Parent Employment Demonstration Project (SPED).

VA = Virginia - (1) Virginia Incentives to Advance Learning (VITAL);  
\*(2) Welfare Reform Project.

\*VT = Vermont - Family Independence Project (FIP).

WI = Wisconsin - (1) Learnfare Demonstration;  
(2) Modified Earned Income Disregard Project;  
(3) Parental and Family Responsibility Project;  
(4) Two-Tier Benefit Project;  
(5) Special Resource Account Project;  
(6) Vehicle Asset Limit Project;  
\*(7) Work Not Welfare Demonstration (WNW);  
\*(8) AFDC Benefit Cap (ABC).

\*WY = Wyoming - New Opportunities/New Responsibilities.

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\* - Approved by Clinton Administration.

SUMMARY OF ACTIONS ON WAIVER APPLICATIONS -  
CLINTON ADMINISTRATION

RECEIVED - 53 Applications from 36 States  
(9 Applications from 7 States were left pending from  
the previous Administration)

APPROVED

States Applications - 21 Applications from 20 States

Arkansas (Welfare Demonstration Project)

California (California Work Pays Demonstration Project)

Colorado (Colorado Personal Responsibility Project)

Connecticut (A Fair Chance)

Florida (Family Transition Program)

Georgia (Personal Accountability and Responsibility Project)

Hawaii (Creating Work Opportunities for JOBS Families)

Illinois (Work Pays Project)<sup>1</sup>

Iowa (Iowa Family Investment Plan)

Michigan (To Strengthen Michigan Families Demonstration -  
Expansion Project)

New York (Jobs First Demonstration)

North Dakota (Early Intervention Program)

Oklahoma (Oklahoma's Learnfare Program)

Oregon (JOBS Plus Demonstration)

Pennsylvania (Pathways to Independence)

South Dakota (Strengthening South Dakota Families Initiative)

Vermont (Family Independence Project)

Virginia (Welfare Reform Project)

Wisconsin (Work Not Welfare Demonstration)

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<sup>1</sup> Added component to Illinois Fresh Start Demonstration

Wisconsin (AFDC Benefit Cap Demonstration Project)

Wyoming (New Opportunities and New Responsibilities Welfare Reform Demonstration)

DENIED

States Applications - 3 Applications from 3 States

Illinois (Relocation to Illinois Project)

Massachusetts (Child Care Co-Payment Project)

Wyoming (Wyoming Relocation Grant)<sup>2</sup>

WITHDRAWN OR REVIEW TERMINATED

States Applications - 6 Applications from 4 States

Illinois (Stepparent Encouragement Project)

Illinois (One Step at a Time Project)

Ohio (Automobile Assets Disregard Project)

South Carolina (Private\for Profit Work Experience Project)

Texas (Two Parent Families Demonstration Project)

Texas (Teen Opportunity Project)

PENDING

States Applications - 23 Applications from 21 States

Arizona (Employing and Moving People Off Welfare and Encouraging Responsibility Program)

California (California Work Pays Demonstration Project - Amendments)<sup>3</sup>

California (AFDC and Food Stamp Compatibility Demonstration Project)

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<sup>2</sup> Waiver requested as part of New Opportunities and New Responsibilities Welfare Reform Demonstration approved above.

<sup>3</sup> Would add provisions to the previously approved California Work Pays Demonstration Project.

Georgia (Work for Welfare Project)

Indiana (Manpower, Placement and Comprehensive Training Program)

Kansas (Actively Creating Tomorrow for Families Demonstration)

Maine (Project Opportunity)

Maryland (Maryland Welfare Reform Project)

Massachusetts (Employment Support Program)

Mississippi (A New Direction Demonstration Program)

Missouri (Missouri Families Mutual Responsibility Plan)

Montana (Achieving Independence for Montanans Project)

Nebraska (Welfare Reform Waiver Demonstration)

New Hampshire (Earned Income Disregard Demonstration Project)

New Mexico (Untitled Project)

North Dakota (Training, Education, Employment and Management Project)

Oklahoma (Mutual Agreement, A Plan for Success)

Ohio ("A State of Opportunity" Project)

Oregon (Expansion of the Transitional Child Care Program)

Oregon (Increased AFDC Motor Vehicle Limit Demonstration Project)

Pennsylvania (School Attendance Improvement Program)

South Carolina (Self-Sufficiency and Parental Responsibility Program)

Washington (Success Through Employment Program)

DRAFT - November 7, 1994

## STATE MEDICAID DEMONSTRATIONS

**PURPOSE:** This paper describes where the Health Care Financing Administration (HCFA) is on statewide, section 1115 Medicaid waiver demonstrations as well as some of the common characteristics that have been identified in the projects so far.

### BACKGROUND

To date, HCFA has approved section 1115 waivers for statewide health care reform demonstrations in six States: Tennessee, Oregon, Rhode Island, Hawaii, Kentucky, and Florida, in addition to the long standing statewide waiver in Arizona. We have received and are currently reviewing waiver applications from an additional eight States: South Carolina, Ohio, Massachusetts, Missouri, New Hampshire, Delaware, Minnesota, and Illinois. HCFA has also begun initial discussions with several other States, including New York, Oklahoma, Utah, Texas, and Louisiana.

Currently, approximately 8 percent of total Medicaid expenditures is spent under waivers in States with approved statewide demonstrations. Adding in States with pending waiver applications raises this percentage to approximately 18 percent.

HCFA collaborates with States throughout the development and review of their demonstration proposals. HCFA often meets with a State in its planning phase to discuss broad guidelines that support the goals of the 1115 waiver process and alert the State to possible stumbling blocks in its concept. During review of waiver applications, HCFA works as a team with other HHS components and OMB. Throughout the review process, HCFA works toward approval with the State in a true "give and take" sense, to shape the proposal in mutually acceptable ways and assure that the demonstration will achieve the goals of the State and of HCFA. HCFA continues to work closely with the State after approval to ensure a timely and smooth implementation of the new program.

### MAJOR THEMES

States, in general, seem to be utilizing 1115 waivers to experiment with ways to expand and simplify Medicaid eligibility and provide services in a cost effective manner through various managed care arrangements.

#### o Expanding Coverage

Most States have proposed to increase coverage for the uninsured in their demonstrations by expanding and streamlining eligibility for Medicaid. These expansions provide insurance coverage -- often through commercial managed care plans -- to the population groups that are most likely to be uninsured and to go without critical preventive services.

The eligibility expansions range from expansions for pregnant women and children only (which is possible without waivers under current law), to eligibility for everyone under 300 percent of the Federal poverty level. The number of newly-covered persons in operating demonstrations ranges from several thousand in Rhode Island to roughly 350,000 in Tennessee. The streamlining changes include eliminating Medicaid eligibility categories and asset tests.

#### o Managed Care

States are employing various forms of managed care. The arrangements in the approved projects range from utilizing fully capitated managed care organizations for all enrollees (e.g., Hawaii, Tennessee, Rhode Island) to using combinations of fully capitated plans, partially capitated plans, and primary care case managers or gatekeepers.

The range of services to be provided under the demonstrations varies as well. Most States are choosing to include only acute services in their projects and are leaving long term care and services for certain special populations as is. This is partly because States are often looking at reform of long term care services separately, and partly due to limited experience developing capitation rates for disabled and other special populations, but the approach still leaves a significant portion of Medicaid services, and therefore Medicaid costs, outside the statewide demonstration project.

#### o Cost Savings

A major goal of many of the proposals is to control the rising costs of health care and, specifically, the rapid rise in Medicaid expenditures. In the demonstrations, savings are expected to come primarily from improved program efficiencies associated with managed care, such as reduced unnecessary use of emergency rooms and inpatient hospital services and increased preventive services. Most States are using their cost savings to fund expansions in their program.

Managed care can produce onetime savings when the capitated rate is a certain percentage below the equivalent fee for service costs for the covered population. Savings can also result from a gradual reduction in the rate of increase in per capita costs over the life of the project as service delivery systems become more efficient and the provision of primary and preventive services increases.

State are also seeking waivers as a mechanism for redirecting their Medicaid and State financing. Some States would like to divert Medicaid payments from disproportionate share hospitals (DSH) to pay for services for the uninsured. Other States are looking for Federal payments to supplement previously State-only expenditures.

o **Data Collection/Evaluation**

Another important common element of the State demonstrations is HCFA's requirement that States collect 100 percent encounter data. These data, which are not routinely collected from managed care plans, will ensure that we have data equivalent to what is collected in the fee-for service sector and enable HCFA to evaluate quality and access during the life of the waiver. To this end, HCFA staff have developed a draft set of standard data elements to collect from Medicaid managed care plans, which should be useful in making comparisons across States.

HCFA has already let two contracts, one to evaluate Oregon, and a second to evaluate the first five other States. These evaluations will build on the data collected and are essential to determining the extent to which States have achieved their research goals.

**STATUS OF STATE HEALTH REFORM INITIATIVES**  
November 7, 1994

STATE	INITIAL CONTACT/ CONCEPT DISCUSSIONS	PROPOSAL RECEIVED/ TECHNICAL REVIEW	CLEARANCE/ DECISION	AWARD ANNOUNCEMENT/ ACCEPTANCE OF T&Cs	OPERATIONAL DEVELOPMENT	OPERATIONAL START
OR				03/19/93 / 04/15/93		02/94
TN				11/18/93 / 12/16/93		01/94
HI				07/15/93 / 08/02/93		08/94
KY				12/09/93 / 02/03/94	X	
RI				11/01/93 / 11/02/93		08/94
FL				09/15/94 / 10/14/94	X	
OH		X				(07/95)
SC		X				(07/95)
MA		X				
NH		X				(01/95)
MO		X				
MN		X				
DE		X				
IL		X				
WA	X					
UT	X					
OK	X					
LA	X					
NY	X					
TX	X					

\*\*Date in parentheses represent expected dates.

**SECTION 1115 WAIVER ACTIVITY  
STATEWIDE HEALTH REFORM**

STATE	INITIATIVE
<b>APPROVED</b>	
OREGON	<p>Expand access to uninsured; cost containment through managed care; benefit package defined by priority list.</p> <p>Oregon will be implementing Phase 2 which involves including the aged, blind, and disabled, and the addition of chemical dependency services to the demonstration. A January 1, 1995 start date is planned.</p>
TENNESSEE	<p>Expand access to uninsured through expansion of Medicaid. TENNCARE establishes a system of managed care similar to the current plan for State employees. There are no income or asset limits, but Tennessee will cap the program at 1.5 million enrollees.</p>
HAWAII	<p>Hawaii's HealthQuest provides seamless coverage of those on public programs, as well as the current uninsured. Through Medicaid expansions (300% FPL, elimination of categorical and asset tests) and a managed care delivery system, the State expects to expand access and control costs.</p>
KENTUCKY	<p>The Kentucky Health Care Reform Plan calls for universal access through: Medicaid eligibility to 100 percent FPL, elimination of certain categorical requirements, through managed care, primary care case management.</p>
RHODE ISLAND	<p>Rhode Island was given Medicaid waivers allowing for the extension of Medicaid eligibility to pregnant women and children up to 250% FPL and enrollment of all recipients in a capitated managed care delivery system.</p>
FLORIDA	<p>Florida's Agency for Health Care Administration (AHCA) has been granted section 1115 waivers to permit Federal financial participation for the Florida Health Security Program (FHS). FHS will utilize a managed competition model and will provide health insurance for 1.1 million uninsured Floridians with incomes at or below 250% of the FPL. Health plans will be offered by Accountable Health Partnerships (AHPs) and sold by Community Health Purchasing Alliances (CHPAs).</p>

11/07/94 17:30 202 680 7353 HHS OS ASPE 415F KATHI WAY 018

**SECTION 1115 WAIVER ACTIVITY  
STATEWIDE HEALTH REFORM**

STATE	INITIATIVE
<b>RECEIVED</b>	
<b>OHIO</b>	Ohio has submitted an 1115 waiver application which would allow them to implement OhioCare. Under OhioCare, Medicaid eligibility would be expanded to include the uninsured population with incomes up to 100% of FPL. Ohio expects to enroll approximately 500,000 additional recipients. The State will enroll all new eligibles and current Medicaid recipients into managed care programs throughout the State.
<b>SOUTH CAROLINA</b>	South Carolina has submitted an 1115 waiver application which would allow them to implement the South Carolina Palmetto Health Initiative. The program will extend Medicaid eligibility to include residents with incomes up to 100 % FPL. South Carolina expects to cover approximately 280,000 additional recipients. All Medicaid recipients will be enrolled in managed care programs.
<b>MASSACHUSETTS</b>	Massachusetts has submitted an 1115 waiver application, entitled MassHealth. The demonstration has nine component strategies which are intended to cover the 524,000 uninsured in Massachusetts. The proposed strategies address needs specific to the mixture of social economic groups that are uninsured in Massachusetts, which include the employed, the short-term unemployed, and the long-term unemployed. The proposal includes direct strategies that provide public health care and indirect strategies that seek to promote market forces and responsible decision making by providing financial incentives in the form of tax credits to employers, tax deferred medical saving accounts for insured individuals, and subsidies in the form of insurance vouchers for employees with incomes up to 200% of the FPL.
<b>NEW HAMPSHIRE</b>	New Hampshire submitted a proposal entitled, "The Granite State Partnership for Access and Affordability in Health Care". The State proposes the expansion of Medicaid eligibility to adults with incomes below the AFDC cash standard, along with the introduction of a public insurance product for low-income workers. Also, the State proposes to implement a number of pilot initiatives to help to ultimately redesign the State's health care delivery system.
<b>MISSOURI</b>	Missouri's Department of Social Services has submitted an 1115 waiver proposal that will provide managed care medical services to the State's Medicaid population and to the uninsured.

STATE	INITIATIVE
RECEIVED	
MINNESOTA	Minnesota has submitted a waiver proposal which has three major components: (1) integration of low-income and uninsured programs; (2) expansion of the managed care delivery system; and (3) linkage of Medicare to overall State health care reform efforts. The proposal presented a two phase implementation plan for each of the components. Phase 1 will be implemented in 1995, while Phase 2 is the conceptual framework for the development of elements of reforms to be implemented in subsequent years.
DELAWARE	Delaware has submitted a 1115 waiver proposal which will increase access to health care services through managed care plans by expanding Medicaid coverage to the State's uninsured adult population up to 100 percent of the Federal poverty level. This statewide proposal will include a comprehensive benefit package emphasizing primary and preventive care.
ILLINOIS	Illinois has submitted an section 1115 waiver to develop MediPlan Plus. Under this program the State will develop a series of networks either local or statewide, and tailor the health care systems to the needs of local urban neighborhoods or large rural areas. This program will allow the State to work with established or new HMO's, provider-based managed care community networks, FQHCs and RHCs to develop health networks.

WR-Warriors

MEMORANDUM FOR CAROL RASCO

FROM: KATHI WAY

SUBJECT: FOLLOW-UP TO WELFARE REFORM MEETING

DATE: 11/3/94

Following is additional information to keep in mind as we move forward with welfare reform discussions. First, while there was some enthusiasm associated with using 1115 demonstration authority to bring about welfare reform it is important to keep that option in the proper context. "Ending welfare as we know it" requires a basic change in the current welfare program from unlimited financial assistance to transitional assistance during times of need. Key features of our plan underscore that change:

1. Benefits are time limited.
2. Emphasizes work.
3. Expands working poor child care to prevent reentry to the welfare system.
4. Focuses on preventing teen pregnancy and the accompanying welfare dependency.
5. Makes government the payer of last resort by strengthening paternity establishment and child support enforcement.
6. Reduces welfare fraud by creating a nationwide tracking system.

Although the 1115 demonstration process provides an opportunity for states to pilot and demonstrate innovative approaches with similar goals to those above, there are clear limits to the 1115 process.

1. Without Federal legislation there is no way to implement a true time line. Recipients move across state lines without any record of benefits received in another state. Also, State approaches vary dramatically. Iowa works off individually determined time lines, Vermont has a three year time line.
2. Most state demonstration use community work experience, not work that results in a paycheck.
3. Without Federal legislation there is little opportunity to expand child care for the working poor, other than through all state dollars.
4. Demos tend to focus on new applicants or long term recipients, not teen parents.

5. While many states have implemented new ways to collect child support, without Federal legislation there is no assistance to help the interstate cases which are the largest problems in child support collection.
6. Welfare offices will continue to work on reducing welfare fraud by improving their record keeping without the benefit of updated technology.

In addition to the above differences, use of the 1115 demonstration process is increasingly being questioned by Congressional membership. Prior to adjournment there was one oversight hearing on the use of 1115 demos for welfare reform. HHS expects an increased interest in this issue when Congress returns. Comprehensive welfare reform that includes child support, paternity, work requirements, time limits and fraud protection is the expectation. 1115 demonstrations fall short in all above categories. We need to be certain we don't confuse the "last line of defense", with the need for true welfare reform.

If you think it would be helpful, please share a copy with George and others.

WR-WALVERS

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
ASSISTANT SECRETARY FOR PLANNING AND EVALUATION



PHONE: (202)690-7858 FAX: (202)690-7383

Date:

6/3/94

From:

David Ellwood

To:

Bruce Reed

Division:

Division:

City & State:

City & State:

Office Number:

Office Number:

Fax Number:

Fax Number:

456-7431

Number of Pages + cover

8

REMARKS:

To; Mary Jo, David, Bruce

From: Michael Wald

Attached are suggestions regarding waivers of time limits and WORK. The approach is not to amend 1115 but to create sections that are not subject to 1115 because they are not in 402(a). with respect to the WORK program, the approach involves setting-up a section, 494, that parallels 484, which applies to JOBS and is non-waivable. An alternative approach is to amend 484 to include aspect of WORK. This would mean changing the displacement language in 484 as well as some other provisions.

TIME LIMIT- WAIVER PROVISIONS

Section 417 (NOTE-417(a) will contain the time limits)

(e) Notwithstanding any other provision of this Part, the Secretary may permit not more than five states to conduct demonstrations to determine what effects, if any, application of time limits of other than twenty-four months would have in promoting the objectives of this Act. The Secretary shall approve a demonstration only if the proposed time limit is consistent with both the purpose of making AFDC a transitional program and affording recipients with support to enable them to prepare themselves to obtain unsubsidized employment. Any state applying a time limit other than that specified in subsection (a) shall evaluate the both the short and long term effects of such time limit in enabling recipients to become self-sufficient and shall report the results of such evaluation to the Secretary.

WORK PROGRAM-NON-WAIVABLE ASPECTS

"SEC. 49<sup>4</sup> ~~PROVISIONS GENERALLY APPLICABLE TO WORK POSITIONS~~

(b) With respect to persons registered in the Program under this part, the State agency shall assure that -

(1) No person defined as eligible in Part F shall be excluded from the WORK program.

(2) Participant families in the program, other than those subject to sanctions, shall not be made worse-off than a family of the same size, with no income, receiving benefits pursuant to section (AFDC).

(3) Participants employed under this program shall be compensated for such employment at a rate no less than the highest of --

(i) the Federal minimum wage specified in section 6(a)(1) of the Fair Labor Standards Act of 1938;

(ii) the rate specified by the appropriate State or local minimum wage law;

(iii) the rate paid to employees or trainees of the same employer working the same length of time and performing the same type of work.

(4) In assigning participants in the program under this part to any program activity,

(i) each assignment shall take into account the physical capacity, skills, experience, health and safety, family responsibilities, and place of residence of the participant;

(ii) no participant shall be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight;

(iii) individuals shall not be discriminated against on the basis of race, sex, national origin, religion, age, or handicapping condition, and all participants will have such rights as are available under any applicable Federal, State, or local law prohibiting discrimination;

~~(iv) the conditions of participation shall be reasonable, taking into account in each case the~~

"(1) In General-- The assignment of a participant to a WORK position shall not ---

"(A) result in the displacement of any currently employed worker, including partial displacement such as a reduction in the hours of non-overtime work, wages, or employment benefits;

"(B) impair existing contracts for services or collective bargaining agreements;

"(C) infringe upon the promotional opportunities of any currently employed worker;

"(D) result in the employment of the participant or filling of a position when ---

"(i) any other person is on layoff, on strike or has been locked out from, or has recall rights to, the same or a substantially equivalent job or position with the employer; or

"(ii) the employer has terminated any regular employee or otherwise reduced its workforce with the effect of filling the vacancy so created with such participant; or

"(E) result in filling a vacancy for a position in a State or local government agency for which State or local funds have been budgeted, unless such agency has been unable to fill such vacancy with a qualified applicant through such agency's regular employee selection procedure during a period of not less than 60 days.

"(2) Private Nonprofit Entities.-- A participant shall not be assigned to a position with a private nonprofit entity to carry out activities that are the same or substantially equivalent to activities that have been

in the same local area, unless such placement meets the nondisplacement requirements of paragraph (1).

"(b) Consultation with Labor Organizations.-

Where a labor organization represents a substantial number of employees who are engaged in similar work in the same area as that proposed to be funded under this part, an opportunity shall be provided for such organization to submit comments with respect to such proposal.

"(c) Benefits and Working Conditions.

"(1) In General. - Except as otherwise provided under this subsection, participants employed under the WORK program shall be provided benefits, working conditions and rights at the same level and to the same extent as other

employees of the same employer performing the same type of work and having similar employment tenure with such employer.

"(2) Workers' Compensation Benefits. -- To the extent that a State workers' compensation law is applicable, workers' compensation benefits in accordance with such law shall be available with respect to injuries suffered by participants. To the extent that such law is not applicable, participants shall be provided with medical and accident protection for on-site injuries in accordance with regulations issued by the Secretary.

"(3) Prohibition on Contributions for Retirement Benefits. -- No funds available under this title may be used for contributions to a retirement plan on behalf of any participant.

"(4) Exclusion from Unemployment Compensation. -- The employment of participants under the WORK program shall not be subject to the provisions of any Federal or State unemployment compensation law.

"(5) Health and Safety Standards. -- Health and safety standards established under State and Federal law that are otherwise applicable to the working conditions of employees shall be equally applicable to the working conditions of participants.

"<sup>d</sup>(~~e~~) GRIEVANCE PROCEDURES. ✓

"~~(1) IN GENERAL.~~ Each State shall establish and maintain <sup>in accordance with regulations promulgated by the Secretary of Labor</sup> grievance procedures for resolving complaints by ~~participants~~ regular employees, or their representatives, alleging violations of the nondisplacement provisions described in subsection (a) and the requirements relating to wages, benefits, or working conditions described in subsection (c) and (d).

A decision of the State under such procedure may be appealed to the Secretary of Labor for investigation and such action as such Secretary may find necessary.

<sup>e</sup>(~~d~~) Participants in the program and their families shall be categorically eligible for Medicaid.

The provisions of this section apply to any work-related programs and activities under this part, and under any other work-related programs and activities authorized (in connection with the AFDC program) under section 1115.

WR - WAIVERS

Waivers

Current Law

State plan requirements in section 402 (part A -- AFDC) and 454 (part D -- child support) are currently subject to section 1115 waiver. In addition, section 1115 allows us to provide FFP for expenditures that are not matchable under the state plan.

Although JOBS (part F) is not directly subject to section 1115, it is indirectly so (except for section 484) through the section 402 requirement that states operate a program in accord with part F. The child care guarantee, section 402(G), is subject to 1115 waiver.

Options

- 1. Make requirements to operate WORK and have a time limit state plan requirements, and thus subject to waiver

Pros

- o Provides maximum flexibility to current and future HHS policy officials
- o States will like potential flexibility

Cons

- o Allows the possibility that some states could escape the requirement to implement national reform
- o Fails to protect recipients from the possibility of future harmful waivers
- o Fails to enunciate the inviolability of some principles, e.g., no cold turkey time limits
- o States may dissipate energy that should be focused on reform implementation into seeking waivers

- 2. Make some or all elements of the time limit and WORK not subject to waiver, either by (a) not including them in section 402 or (b) explicitly excluding them from section 1115 waiver (as section 484 of JOBS currently is)

- not waiving 2-yr time limit  
 - can't waive existence of WORK program or new JOBS program

Pros

- o All states will have to implement core reform elements

- o There will be substantial flexibility through state options in the new legislation

Cons

- o States will object when they understand
  - o HHS's hands will be tied on some future issues that cannot now be anticipated
3. Limit section 1115 waiver to exclude WORK and the time limits and to indicate where waivers of new law would be allowed.

Pros

- o All states will have to implement core reform elements
- o States that want to deviate from national reform will be able to do so within a framework of nationally identified priorities

Cons

- o States will object immediately
- o HHS's hands will be tied on some future issues that cannot now be anticipated

Recommendation: Option 2 (b)

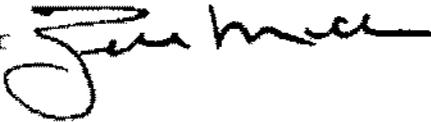


STATE OF GEORGIA  
OFFICE OF THE GOVERNOR  
ATLANTA 30334-0900

Zell Miller  
GOVERNOR

M E M O R A N D U M

To: Bruce Reed, Deputy Assistant to the President  
for Domestic Policy

From: Governor Zell Miller 

Date: June 14, 1993

---

I have discussed with Secretary Shalala's office our state's welfare reform waiver request, which includes a family cap provision and an employment requirement provision. I have asked for a response to our request within 45 days.

This matter has been a focus of my Administration and is extremely important to me. I would like you to be aware of the substance and intent of our request and hope this information will facilitate the appropriate review process.

Georgia's waiver request is in line with the waiver previously approved for New Jersey. Georgia's family cap stipulates that a parent who has received AFDC for a total of 24 months will receive no additional cash benefits because of the birth of an additional child. However, the additional child will be entitled to Medicaid, and the family could receive additional food stamps; also, the family's standard of need would be raised. Please note that all parents will receive instruction in family planning and parenting skills when they apply for AFDC, and family planning is available free to AFDC recipients throughout the state.

Georgia's employment measure requires all able-bodied adults to accept employment at minimum wage or higher. Appropriate exceptions are made. Single parents with children under age 14 are exempt, as are adults who are medically incapacitated or incapable of performing the job.

The goal of these reform measures is to promote responsible behavior, behavior that will help break the cycle of poverty and welfare dependency. Contrary to popular myth, we believe that families in poverty can make appropriate decisions about child-bearing and employment, so long as government programs encourage personal responsibility.



MEMORANDUM

Page 2

Please contact me or Cynthia D. Wright on my staff if you need additional information. I would appreciate any assistance you could provide in expediting the review of our request and in securing a favorable decision.

CDW/cln

fiji - { CC: Bruce Reed  
I haven't Kathi Way

read yet - let's all read & discuss

May 14, 1993

file: W. Reform -  
Waivers

TO: Carol Rasco  
FROM: Mary Jo Bane <sup>MTB</sup>  
David T. Ellwood <sup>DTE</sup>  
SUBJECT: Welfare Reform Waivers

Attached is a draft of a letter from the Secretary to the Governors outlining our proposed approach to welfare reform waivers. The cover memo outlines the major issues. The Secretary is currently looking at the draft; we have also shared it with OMB. It is, at this stage, quite preliminary.

One issue that has not been resolved is that of consistency, or lack thereof, between our proposed waiver policy and the Health Care Financing Administration's. We are working on identifying and resolving any inconsistencies in approach, and will keep you informed.

We'd welcome your reactions, obviously. We'll keep you posted on the Secretary's and OMB's comments, and on issues as they come up. Let us know if you want to meet on this.

Attachment

CR -  
WHAT DOES THIS MEAN?



DEPARTMENT OF HEALTH & HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES  
Office of the Assistant Secretary, Suite 600  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

May 14, 1993

TO: The Secretary  
Through: DS \_\_\_\_\_  
COS \_\_\_\_\_  
ES \_\_\_\_\_

FROM: Acting Assistant Secretary  
for Children and Families

SUBJECT: Guidance for State Welfare Demonstrations -- ACTION

ISSUE:

States are developing and submitting welfare reform proposals. The Department needs to inform States now regarding the approach this Administration will take in approving welfare reform demonstrations that require waivers. The attached proposed letter for your signature to Governors and State welfare directors serves this purpose.

DISCUSSION:

We propose to continue the following approaches that the Department has applied in the past:

Demonstration:

Using waiver authority as a mechanism for States to test changes in welfare to determine if they are effective.

Evaluation:

Employing random assignment of individuals to a group subject to the new program and a control group subject to the existing rules as the preferred evaluation methodology.

Cost neutrality:

Retaining, for now, the requirement that demonstrations include provisions for Federal cost neutrality for the relevant open-ended entitlement programs. Federal cost neutrality would continue to be based on the full period of the demonstration, thus allowing States the flexibility to test interventions which may not yield net savings until later in the demonstration period.

There are also changes we propose regarding the approval of waivers. These include:

Key goals:

Approving demonstrations only if they meet the criteria of 1) better serving children and families and 2) having the potential for yielding meaningful changes that could merit enactment into law.

Limits on certain classes of waivers:

Limiting the number and scope of waivers that might make families worse off financially, if such families cannot by their own ability regain their previous level of financial security.

Prohibiting of lower payments to families moving into a State:

Because of constitutional questions, for now not approving waivers to provide a different level of benefits to families who have recently moved into a State.

Possibility of more support after welfare reform:

In the future, seeking a means to offer States a more generous approach to the conditions under which demonstrations would be approved as part of the national agenda for welfare restructuring.

We recognize that it is critical that ACF and HCFA approaches regarding waivers be the same, or that there be a rationale for any differences. David Ellwood will be calling a meeting with ACF and HCFA on waiver proposals in order to ensure as common approach as possible or identify a rationale for differences. We will similarly need to coordinate agreement on these approaches regarding waiver approval with the White House, OMB and the Food and Nutrition Service. We are concurrently sharing this draft of the letter with Carol Rasco because she needs to have some idea on the outlines of our proposed approach before she meets with Governors in New Jersey this week.

RECOMMENDATION:

We recommend that you approve the approach described above and set forth in the attached proposed letter to Governors and State welfare directors. If approved, we would obtain concurrence from OMB and the White House prior to preparing the letters in final for your signature.

DECISION:

The recommendation to approve the approach described above is:

APPROVED \_\_\_\_\_ DATE \_\_\_\_\_

DISAPPROVED \_\_\_\_\_ DATE \_\_\_\_\_

Laurence J. Love

Attachment:  
Tab A - Letter

**DRAFT**

Dear Governor

Welfare reform demonstrations provide an important opportunity for States to test alternative approaches so that we might learn better ways to serve the needs of children and families. Over the past year the Department of Health and Human Services has received and approved a number of waiver applications from States to conduct welfare reform demonstrations. There are a number of additional requests pending, and we are aware of numerous States that are considering submitting applications for demonstrations. In order to inform State decisions regarding welfare demonstrations and to encourage States to try new approaches in this area, I want to share with you the Department's current perspective on this matter.

Demonstrations involving Federal waivers are approved by the Secretary under authority of section 1115 of the Social Security Act, if the conduct of such demonstrations are judged the Secretary likely to assist in promoting the objectives of the Act. This authority allows the Department to work with States to test alternative approaches to determine if they might better serve children and families. The results of past demonstrations have helped shape Federal legislation like the Family Support Act of 1988. The President and I support continuing to employ this waiver authority, accompanied by rigorous evaluation, as a mechanism for States to experiment with new ideas and to determine if they work.

The Administration is currently formulating the direction it will take in putting forward a plan to restructure welfare. In addition to the proposals in the President's Budget to expand the Earned Income Tax Credit and strengthen child support enforcement, we expect to identify new or modified policies intended to make work pay outside the welfare system, to strengthen child support enforcement further, and to change welfare from a system of long-term support to a transitional benefit system. In order to support the Federal-State partnership necessary to test new ideas, we will ask for, and believe we will acquire, the authority to offer a more generous approach in regard to financial risk as part of the broader legislative effort to restructure welfare. Because of this potential opportunity for Federal-State partnerships to test major, new policy initiatives under more favorable circumstances to States, you may want to consider waiting for this national agenda for restructuring welfare to develop, as it may better suit your State's objectives.

DRAFT

Some States may wish to apply for waivers to test innovative policies now. We expect the approach described in this letter to apply to demonstration applications the Department receives both prior to the development of the Administration's broader welfare restructuring plan, and afterward to applications which fall outside the context of that plan.

Effects on Children and Families

Demonstrations approved under authority of the Social Security Act should test changes intended to make the welfare system better serve the needs of children and families and should be changes that have the potential for yielding meaningful results that would merit enactment into law. Therefore, as part of our standard waiver application which asks States to provide a clear rationale for their demonstration, we expect a full description of the proposed intervention that specifically describes how the requested waivers will benefit children and families. The Department will assess each application on a case-by-case basis to determine if it meets these criteria.

We will also limit tests of waivers that might make families worse off financially when such families cannot by their own ability regain their previous level of financial security. Demonstrations of this nature generally will be restricted to a limited number of States, and will be limited in size so that no more than the number of individuals necessary to form an adequate research sample will be subject to the treatment.

Because there is currently an unresolved issue regarding the constitutionality of provisions to provide a different level of benefits to families who have recently moved into a State, we will not now approve such waivers.

Evaluation

President Clinton has stated his commitment to the perspective that State experimentation is an important way of learning what works and what doesn't. In his remarks to the National Governors' Association, he said that we should "measure these experiments," and "measure them honestly." In most cases the only reliable way to do this is through random assignment of individuals to a group subject to the new program and a control group subject to the existing rules. Other methods in State demonstrations have proved unreliable in separating the effects of the new policy being demonstrated from external factors. The need for reliable results in these demonstrations is too great to use evaluation designs which produce only weak evidence for their results. There are,

What does  
this mean?  
No benefit  
cuts?

DRAFT

however, instances in which random assignment may not be appropriate. For example, some demonstrations may be designed to test administrative feasibility of implementing certain kinds of reforms. In other cases, the central intervention may be at the "community" level, and the existence of a control group would be inconsistent with the intervention. However, in most cases, random assignment of individuals will be the preferred design.

Cost Neutrality

For now, we will only approve demonstrations that include provisions for Federal cost neutrality for the relevant open-ended entitlement programs. Cost neutrality means that while States may choose to test waiver-related provisions that have a chance of being more costly than current approaches, the Federal government will not reimburse States for costs which exceed its share of the costs that would have been incurred in the absence of the waivers. Federal cost neutrality will continue to be based on the full period of a demonstration, thus allowing States the flexibility to test interventions which may not yield net savings until later in the demonstration period. Furthermore, cost neutrality will generally be based on costs or savings attributable to the program policy changes created by the waivers. As such, cost neutrality will not generally be applied to costs or savings related to changes made without the need for waivers. For example, since States establish benefit levels in AFDC State plans, reductions in payment or need standards, or in the method of computing benefits, will not count as a savings offset against demonstration costs in determining cost neutrality.

In later correspondence we will address some procedural issues regarding the waiver application process. As we mentioned, we also look forward in the future to being able to offer States a more generous approach to the conditions under which demonstrations would be approved as part of the national agenda for welfare restructuring. In the meantime, we hope the approach described here will provide useful information for States in making decisions about applying for waivers and in developing sound proposals. We strongly support your efforts in this area and stand ready to work with you in testing new and better ideas for serving children and families.

Donna E. Shalala

WR -  
Waivers

## MEMORANDUM

To: Carol Rasco

From: David J. Elwood

Re: AFDC and Medicaid Waivers

Date: May 21, 1993

I wanted to provide you with a brief update on Waivers prior to your meeting with the NGA. We had a meeting with ACF and HCFA people in an attempt to hammer out a consistent waiver policy for all of HHS. We had before us the ACF draft which you have and some preliminary drafts of HCFA. Although AFDC and Medicaid waivers often go to different agencies, and although there is little indication that states are unhappy with the AFDC/ACF waiver process, many in the department expressed concern that any changes/clarification in the AFDC waiver process would immediately be interpreted as indicating the direction that Medicaid will go as well, and might be misinterpreted. As you know HCFA folks have been meeting with NGA representatives in an effort to significantly improve the Medicaid 1115 Demonstration waiver process. We do not want to create any concern or confusion regarding these negotiations.

If we go forward with a letter to the Governors, we have tentatively decided to send only one letter to each Governor which discusses both types of waivers. It may come from the Secretary or the President depending on your preferences. Initially there were significant areas of agreement, but some areas of disagreement between ACF and HCFA remain. But we did reach a loose consensus. I am confident that we can reach a joint position within the Department next week. Given the President's and your strong interest in this issue, I think it would be prudent to discuss this issue with you sometime soon to be certain you are comfortable with the direction we are moving.

In the meantime, the question arises as to what you should say to the Governors. The talking points below point to the broad consensus that is emerging here. My own preference is that you not get too specific. We have not fully cleared these either internally nor with you and the President. But this gives some indication of how far you could go if you are comfortable with the ideas.

- o The Administration has been engaged in very productive negotiations with the NGA. We expect to have a waiver policy complete in the next few weeks. While there are still details to be worked out, and you would like to avoid getting into specifics, you can say a few things.
- o First, we are establishing a very different relationship between the states and federal government, one of greater trust, more information sharing, and better

service.

- o We are absolutely committed to making the Medicaid 1115 waiver process faster, more straightforward, and more friendly. We believe we can dramatically improve things.
- o States need to understand that the legislation and the legislative history make very clear that 1115 waiver authority is for demonstrations, not simply a mechanism for increasing state flexibility. (Demonstrations are typically designed to test specific new ideas for a specified period of time.) The Congress is very concerned that waivers be granted for genuine demonstrations of new ideas, not as a device to avoid rules and projections legislated by the Congress. If Congress perceives that 1115 waivers are being abused, we could easily lose this waiver authority.
- o The President has indicated that demonstrations need to be carefully evaluated. That is, after all, the goal of demonstrations. Still we will not have rigid rules requiring a particular type of evaluation strategy in all cases. We will seek evaluation strategies that are appropriate to the demonstration.
- o Cost neutrality remains an objective and expectation, but it will likely be applied over the life of the demonstration.
- o States should be aware that health and welfare reform are likely to establish new statutory and fiscal relationships between the states and the federal government. Some states may wish to wait until the central elements of these plans emerge before moving forward with major new demonstrations. The administration is strongly supportive of state initiatives and will, of course, continue to evaluate and grant waivers under the current authority.

I hope this is of use. I'll talk to you soon. I can be reached at home this weekend at 617-729-2565.

EXECUTIVE OFFICE OF THE PRESIDENT

Washington, D. C.

FAX TRANSMITTAL COVER SHEET

---

DATE: 27-May-93

---

TO: REED

SUBJECT: WELFARE REFORM

---

FROM: CAROL H. RASCO (202) 456-2216  
ECONOMIC AND DOMESTIC POLICY

---

If there are any problems receiving this transmission,  
please call the sender, or (202) 395-7370.

File:  
WR-  
Waivers

Thank you for the material you sent prior to my visit to New Jersey. I am sorry we were unable to reach one another by phone successfully....working for the vote this week has complicated the ability to spend time at my desk.

There were over 27 states represented at the meeting in New Jersey. Almost ALL the questions directed to me were related to waivers. I would certainly find that particular group of states in attendance not to fit into the categorization in your memo to the effect that "...there is little indication that states are unhappy with the AFDC/ACF waiver process." I would agree that we all have a great deal of discussion to undertake before I am ready to recommend a letter from the President and/or Secretary.

My sense from NGA is that they feel significant progress has been made in the discussions with HCFA outside the 1115 Demonstration waiver process but there is strong feeling that more realistic negotiations need to occur on the 1115 waivers. This will be a must if we are to genuinely establish the "very different relationship between the states and federal government..." you reference and which I am certain we all want.

While the President has certainly been on record as strongly stating that demonstrations need strong evaluation, he has done so in the context of saying such demonstrations should be encouraged, evaluated and terminated if unsuccessful, replicated if successful. He has indicated to me, however, in repeated terms that he questions the previous and continuing emphasis on "control groups." He and I were encouraged by your language "Still we will not have rigid rules requiring a particular type of evaluation strategy in all cases."

In the spirit of encouraging states as laboratories, we do not want to be in the position of appearing to caution states against demonstrations as we proceed on the development of both health care reform and welfare reform.

I will be out until Friday, June 4. I have designated Kathi Way of the Domestic Policy staff to be a liaison from this staff to HHS on these waiver discussions and have asked her to contact you just after the holiday next week.

Kathi will also be able to share with you through the welfare reform working group discussions the issues/ideas raised by the states on that matter.

Thank you...have a great Memorial Day weekend!

WR-Waivers -  
Terms - Conditions

Virginia

## Virginia Terms and Conditions

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four years of the demonstration beginning with the implementation date. Economic Development Districts 15 and 17 (Urban Tidewater) shall be implemented in the same or subsequent quarters. Economic Development Districts 12 and 16 (Richmond area) shall also be implemented in the same or subsequent quarters. For evaluation and cost neutrality purposes, the State will propose, for approval by the Departments, a scheduled quarter for implementation of VIEW provisions in Economic Development District 1. VIEW provisions will apply only to AFDC cases subject to time-limited benefits as described in 4 below. Under VIEW:

- 1) AFDC cash benefits will be terminated for the entire case for refusal of the casehead to sign the Agreement of Personal Responsibility. This fiscal sanction shall continue until the casehead complies.
- 2) Applying all disregards under current law, participants will maintain AFDC eligibility and earned income will be disregarded during the 24-month time limit so long as earnings plus the AFDC benefits are equal to or less than the current Federal Poverty Guidelines. For any month in which earnings plus the AFDC benefit exceed the Federal Poverty Guidelines, AFDC benefits will be reduced dollar for dollar from the AFDC grant.
- 3) When determining eligibility, the value of one vehicle up to \$7,500 fair market value will be excludable from countable resources.

**Time-limited Benefits**

- 4) AFDC cash benefits will be time-limited to 24 cumulative months for cases headed by non-exempt caretakers. The following caseheads will be exempt in such cases:
  - a) any individual, including all minor caretakers, under sixteen years of age;
  - b) any individual at least 16, but no more than 19 years of age, who is enrolled full-time in elementary or secondary school, including vocational or technical school programs. The vocational or technical school must be equivalent to a secondary school. Once an individual loses this exemption, s/he cannot requalify for the exemption even if s/he returns to school, unless the case is closed and reopened or he becomes

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- exempt for another reason. Whenever feasible, such recipients should participate in summer work;
- c) any individual unable to participate because of a temporary medical condition that prevents entry into employment or training, as determined by a physician, must provide to the local department a written statement from such physician to specify that s/he is incapacitated, the nature and scope of the incapacity, and the duration of the incapacity. The worker must re-evaluate the participant's incapacity at the time prescribed by the medical statement or every 60 days, whichever come first. The recipient must provide verification that s/he continues to be incapacitated.
  - d) any individual who is incapacitated, as determined by receipt of Social Security Disability Benefits or Supplemental Security Income. This exemption shall not be granted to either parent in an AFDC-UP case; eligibility shall be evaluated for regular AFDC on the basis of the parent's incapacity;
  - e) any individual sixty years of age or older;
  - f) any individual who is the sole care giver of another member of the household who is incapacitated, and whose presence is essential for the care of the member on a substantially continuous basis. Incapacity is determined by receipt of Social Security Disability Benefits or Supplemental Security Income. The sole other condition under which an individual may be determined incapacitated is by a written medical statement from a physician.
  - g) a parent or caretaker relative of a child under 18 months of age who personally provides care for the child. A parent of a child not considered part of the AFDC assistance unit under Virginia Code section 65.1-105.7 may be granted a temporary exemption of not more than six weeks after the birth of the child;
  - h) children receiving AFDC-Foster Care;
  - i) families where the primary caretakers of a child or children are legal guardians, grandparents,

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foster parents, or other persons standing in loco parentis and are not the adoptive or biological parents of the child; and

- j) a female who is in her fourth through ninth month of pregnancy as determined by a written medical statement provided by a physician.

In an AFDC-UP case, both parents shall be referred for participation unless one meets an exemption; only one parent can be exempt. If both parents meet an exemption criterion, they shall decide who will be referred for participation.

Cases which are exempt from the time limit because their casehead meets any conditions listed above shall be exempt only for such period(s) as such conditions exist. If a time limit has already begun for the case, accrual of months toward the time limit will be suspended while such conditions exist.

During the time-limited period established, non-exempted adults must participate in employment-related activities in accordance with VIEW and their Agreement of Personal Responsibility. During this time participants will receive case management, which may include education, training, and employment activities.

At the end of the time limit AFDC cash benefits will be terminated for the case. Any individuals who lose AFDC cash benefits will retain the same Medicaid eligibility they would have had in the absence of the AFDC waiver. However, cases may apply for a hardship exception under criteria specified below.

- a) Hardship exceptions will not be granted if the casehead:
- o has, during the program, not actively sought employment and otherwise satisfactorily participated in all assigned program activities without good cause;
  - o has been sanctioned more than once during the time-limited period for failing to comply with program requirements; or
  - o has voluntarily quit a job, or rejected a bona fide offer of employment, without good cause.

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- b) A hardship exception shall, if the local department determines that the participant meets all criteria, be granted by the local agency for up to one year in the following circumstances:
- o factors relating to job availability are unfavorable. To qualify under this exception the participant must have been actively seeking employment. Job availability is defined as an unemployment rate of 10% or greater in the participant's locality, for the two most recent quarters prior to the end of the two-year time limitation. This data is available from the Virginia Employment Commission. If data are not available for one of the two most recent quarters, the local agency will use the most current data, or
  - o an exception to the time limit will enable an casehead to complete employment-related education or training.

Participants granted hardship exemptions under the circumstances in this section shall be re-evaluated every 90 days to determine if a basis for the hardship exception continues to exist. During the exception, the participant must continue in the program and work-related activities.

- c) A hardship exception shall, if the local department determines that the individual meets all criteria, be granted by the local agency for up to 90 days in the following circumstances:
- o the individual has been actively seeking unsubsidized employment and is unable to find a job or jobs that would, in combination with any other income or sources of assistance that the individual is receiving, pay an amount equal to or exceeding the case's AFDC cash benefits and standard work deduction, or
  - o the individual demonstrates an extreme hardship because of loss of job resulting from factors unrelated to job performance, which is defined as those situations in which the Virginia Unemployment Commission would determine that the individual would be

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eligible for unemployment compensation if the individual had worked sufficient hours to qualify.

Extensions of hardship exceptions will be granted for the circumstances in this section in very limited circumstances and only to those persons who demonstrate an extreme hardship. If an extension is granted, the individual will participate immediately in work components, unless good cause exists.

The local agency shall request an extension, if it determines that the individual may meet the criteria below, and refer the case to a panel composed of the Commissioner of the Virginia Department of Social Services, the Commissioner of the Virginia Employment Commission, and the Executive Director of the Governor's Employment and Training Department.

The criteria that will be considered in making a determination that an individual's benefits should be extended will include but need not be limited to: 1) the panel determines that the individual meets all the general criteria for receiving the hardship exception; 2) the individual has applied for and been found ineligible for unemployment compensation because he has not worked sufficient hours to qualify; 3) the individual is unable to find a job or a combination of jobs that would, in combination with any other income or sources of assistance that the individual is receiving, equal or exceed the amount of the AFDC grant plus the standard work deduction; and 4) the individual enters a job search and work component at the time of application and complies with all other program requirements pending and after application approval. The panel will examine each case individually and may consider other extenuating circumstances in deciding whether to grant or deny an exception.

The panel will re-evaluate the individual's case as it determines necessary, but at least every 90 days, in order to determine whether the conditions justifying the exception continue to exist.

- d) If an individual is sanctioned while under a hardship exception, the hardship exception will be

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revoked upon notice as required under current law and the case will not be eligible for further consideration for hardship exceptions.

**Work Program Provisions**

- 5) Transitional medical assistance will be provided for individuals who lose AFDC because of increased earnings.
- 6) Transitional Child Care will be provided, if needed, for up to one year for cases where eligibility has been terminated if such assistance enables the participant to work.
- 7) Transitional transportation assistance will be paid, if needed, for up to one year to participants whose case has been terminated if such assistance enables the individual to work.
- 8) Job search will be required for non-exempt AFDC recipients without regard to time limits (i.e., unrestricted by the eight week and four month limitations and the three-week limit prior to the conduct of an assessment).
- 9) VIEW participants between the ages of 19 and 24 may be placed immediately into either work experience placements or education.
- 10) Failure to participate in required VIEW activities, without good cause, will result in the imposition of fiscal sanctions as follows:
  - a) for the first offense, the entire AFDC cash benefit will be suspended for one month, or until compliance, whichever is longer;
  - b) for the second offense, the entire AFDC cash benefit will be suspended for three months, or until compliance, whichever is longer;
  - c) for the third and subsequent offenses, the entire AFDC cash benefit will be suspended for six months, or until compliance, whichever is longer.
- 11) All VIEW volunteers who sign the Agreement of Personal Responsibility will be subject to the same sanctions as VIEW non-exempt participants.

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1996. The implementation date of the demonstration shall be the first day on which the first case is made subject to any of the provisions of this demonstration. For cost neutrality purposes, the demonstration shall be deemed to begin on the first day of the calendar quarter (hereinafter "quarter") which includes the implementation date, but for the purpose of calculating excess costs or savings for the initial quarter of the demonstration, only costs incurred beginning with the month that includes the implementation date will be counted. The demonstration shall end no later than the last day of the 40th quarter ending after the deemed beginning date. The demonstration provisions shall be as specified in Section 2. Waivers necessary for the demonstration are approved upon acceptance by the Departments and the State of these Waiver Terms and Conditions. They will become effective as of the implementation date and will remain in effect until the last day of the 40th quarter ending after the deemed beginning date, unless the project is terminated earlier.

- 1.4 Federal approval of waivers, subject to these Waiver Terms and Conditions, shall not be construed to establish any precedent that either Department will follow in the granting of any subsequent request for waivers.

## SECTION 2: IMPLEMENTATION

- 2.0 Under these Waiver Terms and Conditions, the State will operate a demonstration of WR'95 statewide, with a random assignment evaluation conducted statewide, except for certain small offices as specified in Section 3 - Evaluation. At sites where random assignment is to be carried out (i.e., the research sites), current AFDC recipients and new applicants will be randomly assigned to one of three groups: 1) an experimental group which will be subject to WR'95 provisions; 2) a non-experimental treatment group, which will also be subject to WR'95 provisions; and, 3) a control group subject to the regular program rules according to the State's approved AFDC and Medicaid State Plans and approved Food Stamp Plan of Operations. Outside the research sites, where random assignment will not be carried out, all cases will be assigned to the non-experimental treatment group.

The experimental and non-experimental treatment groups together will comprise the "treatment group"; the experimental and control groups together will comprise the "research sample."

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- 2.1 Under WR'95, the State will implement the following provisions amending the regular AFDC, Food Stamps, and Medicaid program rules and renaming this amended AFDC program as Transitional AFDC (hereafter referred to as TAFDC).

**General Provisions and AFDC Program Provisions****1. The Eligibility Review**

In order to implement the provisions as set forth in this section, current AFDC recipients will be required to attend an eligibility interview under demonstration rules within 90 days of notification by the State. This process will be used to inform recipients of the requirements of the new program rules; to obtain information necessary under the new program requirements; to develop the Employment Development Plan (EDP) for the individuals described below; and to determine exemption from the time limit, the grant reduction, and the work program requirements. This process may also coincide with the regular redetermination process. The penalty for failure, without good cause, to comply with this requirement is set forth in Program Penalties/Sanctions below.

**2. Time-limits for TAFDC**

The State will establish a time limit on TAFDC cash assistance of 24 cumulative months within a continuous 60-calendar-month period. Unless eligible for an extension as described below in "Extensions of the Time Limit," after the time limit TAFDC cash benefits will be terminated for the assistance unit. Any recipients who lose TAFDC cash benefits solely as a result of provisions under the demonstration shall continue to be eligible for other benefits to which they otherwise would be entitled in the absence of the demonstration, such as Medicaid and Food Stamps.

**Exemptions from the Time Limit on Benefits and the Grant Reduction**

Those exempt from the time limit and the grant reduction (hereafter simply "exempt") include assistance units for which a determination has been made that:

- a) the parent is disabled, as determined under State regulations 106 CMR 203.530, subject to the limitations

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described in the cover letter transmitting this document;

- b) the parent is essential to the care of a disabled child or disabled spouse, as determined under State regulations 106 CMR 203.100 and 203.530, subject to the limitations described in the cover letter transmitting this document;
- c) the applicant/recipient is in the third trimester of pregnancy;
- d) the youngest child in the assistance unit is under the age of two;
- e) a child of the applicant/recipient is living with the applicant/recipient, and such child is under the age of three months, whether or not this child is included in the assistance unit;
- f) the parent is under the age of 20 and is attending school, not beyond high school, full time; and
- g) the individual is an ineligible grantee, provided that ineligible grantees who have a legal obligation to support the dependent child(ren) will not be exempt unless they cannot work or qualify for one of the exemptions identified above.

In two parent households, both parents must qualify for one of the above exemptions in order for the assistance unit to be exempt from the grant reduction and the 24-month time limit on benefits.

In a two-parent household, only one parent may claim exemption b), d) or e). In addition, if one parent claims an exemption under a), the other parent may not claim an exemption under b) (for a disabled child), d), or e) unless there is medical documentation that the parent claiming a) is unable to care for the child.

**Calculation of the 60-month period**

The calculation of the 60-month period will begin on the date:

- a) the applicant first becomes eligible for TAFDC cash assistance as an adult; or

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- b) the recipient completes the TAFDC eligibility interview required under the demonstration and is determined eligible.

The calculation of the 60-month period will continue during periods in which the entire assistance unit is sanctioned, or the calculation of the 24-month time limit is suspended for other reasons.

**Calculation of the 24-month time limit**

The calculation of the 24-month period will begin on the date:

- a) the non-exempt applicant first becomes eligible for TAFDC cash assistance as an adult; or
- b) the non-exempt recipient completes the TAFDC eligibility interview required under the demonstration and is determined eligible; or
- c) an assistance unit which was initially determined to be exempt subsequently is determined to be non-exempt, after being notified by the State of the change in status.

When an applicant/recipient of TAFDC claims an exemption based on a disability, the assistance unit may be determined to be presumptively disabled, pending a disability determination by the State's Disability Review Unit (DRU). The State will make every effort to complete such reviews within 30 days. Should the DRU subsequently determine that the recipient is not disabled, the calculation of the 24-month time limit will begin retroactive to the date the presumptive eligibility began.

The calculation of the 24-month time limit will be suspended during any month in which:

- a) the assistance unit does not receive a cash benefit except that the calculation will not be suspended if the assistance unit would have received a cash grant but the benefit amount was less than \$10 (such persons shall be notified that the time limit is running);
- b) the assistance unit's status is exempt; or
- c) no cash assistance is received because the entire assistance unit is sanctioned.

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For a teen parent who has been determined to be non-exempt, the calculation of the 24-month period will begin on the date of approval for her own case, including those instances where a teen parent previously received assistance as a dependent child but the case she was on has been closed, or she is no longer eligible for assistance as a dependent child on such case.

Participation in the Full Employment Program or Supported Work Program constitutes receipt of a cash grant for purposes of the calculation.

**Extensions of the Time Limit**

Ninety days prior to the end of the 24-month period, the State will notify the recipient of the expiration date of the time limit.

Under various circumstances, the State will extend the 24-month time limit on benefits for grantees, or former grantees, or recipients. Extensions will be granted in the following situations:

- (a) the dependent child no longer lives with his or her parent due to the death of the child's parent;
- (b) the dependent child can no longer live with his or her parent due to the incapacity of the child's parent(s), such that the parent cannot care for the child, and such incapacity is documented by a physician;
- (c) the dependent child can no longer live with his or her parent because the custody/guardianship of the child has been legally transferred to another parent, relative or custodian;
- (d) the dependent child can no longer live with his or her parent due to the incarceration of the parent(s), except that the child shall not receive assistance if the parent is released from custody and reunited with the child;
- (e) the dependent child can no longer live with his or her parent because the parent is institutionalized -- for example, in a mental health facility or a hospital -- provided the institutionalization is expected to be for an extended stay and provided that the child shall not receive assistance if the parent is discharged and reunited with the child; and

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- (f) the grantee is unable to obtain employment due to her or his need to care for a disabled child or adult for a significant portion of each month.

If none of the above criteria apply, a recipient or former recipient may request an extension of the 24-month limit by submitting a written request to the Office of the Commissioner, documenting the reason the extension is being requested. These cases will be reviewed and a determination made on a case-by-case basis. Such extensions will only be granted, however, in a limited number of circumstances.

Extensions will be granted if:

- (a) the county in which the individual resides has had an unemployment rate of 10 percent or more for two quarters immediately prior to the current month, or
- (b) the individual has been actively seeking employment and is unable to find a job or jobs consistent with State regulation 106 CMR 207.190(A)(2).

After the initial 90 day extension, individuals will be granted additional 90 day extensions if the unemployment rate has not dropped below 10 percent in the previous 90 day extension period, or if the individual continues to actively seek employment and is unable to find a job.

The Commissioner may grant extensions in other situations of extreme hardship. Special consideration will be given to the request when the individual:

- (b) demonstrates unique circumstances that temporarily prevent the individual from being competitive for employment opportunities, or
- (b) has encountered unique personal life disruptions that make a required immediate entrance to the job market unreasonable.

During any extension periods, recipients must otherwise comply with program requirements.

An extension will not be granted when:

- (a) the individual has received and rejected offers of employment, has quit a job without good cause, or has been fired for cause;

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- (b) the individual has not cooperated with the State in work-related activities; or
- (c) the individual has been sanctioned or has otherwise failed to cooperate with TAFDC program rules.

**3. The Work Program Requirement**

All non-exempt adults who have received assistance for 60 days, and whose child of record (as defined below in "The Family Cap") is of mandatory full-time school age will be required to work a minimum of 20 hours per week. In two-parent households, both parents will be subject to the Work Program requirement unless exempt. If the child of record is not of full-time school age, one parent in a non-exempt two-parent household will be required to work.

Non-exempt adults will be granted a 60-day period for job search prior to imposition of the Work Program requirement within a 60-month period. However, such individuals will be granted a 60-day period only once in a 60-month period. If a reapplication is beyond the initial 60-month period, another 60-day period for job search will be allowed prior to referral to the Community Service Program.

Grantees can meet the Work Program Requirement by:

- a) working in a job for which compensation is paid for 20 or more hours per week;
- b) working full time in the Full Employment Program (described below) or working in an approved Supported Work Program;
- c) participating in the Community Service Program (described below) for 20 hours per week; or
- d) combining work and participation in the Community Service Program for a total of 20 hours per week.

Any recipient who would otherwise be subject to the Work Program requirements who was participating in an approved JOBS component on January 1, 1995, and is participating in the component at the time the demonstration is implemented, will be allowed to complete the component under the guidelines established by the State and such participation will be deemed to meet the Work Program requirement. Any recipient who was on a waiting list for an approved JOBS component as of January 1, 1995, will be allowed to enter

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and complete the wait-listed component and such participation will be deemed to meet the Work Program requirement. However, while on the waiting list, the adult will be subject to the Work Program requirement and the time-limited benefits, if applicable.

For the purposes of this section, a grantee who was participating in community service through the Department's TEMP-UP Program on January 1, 1995, will be determined to have "completed" the program when he/she ceases to participate in community service, or reaches her 24-month limit on benefits, whichever occurs first. A grantee will be required to comply with the requirements of the Work Program upon withdrawal or completion of her JOBS Program, and the 24-month time limit on benefits will remain in place, if applicable.

Individuals who are meeting the Work Program requirements through unsubsidized employment will be considered in the calculation of the JOBS participation rate as specified at 45 CFR 250.78(b)(1)(iv).

**Employment Development Plan**

An Employment Development Plan (EDP) will be completed for certain recipients as described below. The EDP will be developed by the State with involvement of the recipient, and will set forth the plan of activities, and necessary support services, which are considered necessary for, and can be expected to lead to, employment of the individual. The State will take into consideration the resources available to it, including the level of appropriated funds for child care, when approving or denying activities for an individual. A recipient who believes that the content of an approved EDP is unreasonable may have that decision reviewed by a supervisory employee. Once completed, the EDP will be signed by both the recipient and the Department of Transitional Assistance worker. However, certain activities included in the EDP may be mandated, such as participation in the Community Service Program, and in such cases, the recipient must comply with his or her EDP, regardless of whether the EDP was signed by the recipient. The sanctions for failing to comply with an EDP are specified below in "Program Sanctions."

An EDP will be completed for the following:

- a) a recipient who the State has determined must participate in a JOBS component, pursuant to criteria

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- established by the State, because unfilled slots are available;
- b) a recipient who has volunteered to participate in JOBS;
  - c) all teen parents who have not graduated from high school;
  - d) a recipient in need of supportive services in order to work or participate in education or training;
  - e) dependent children age 16 to 18, who are not in school, and therefore must participate in a JOBS component; and
  - f) a recipient referred to Community Service who:
    - i) has volunteered to participate in the Community Service Program,
    - ii) has been mandated to participate in community service because of a failure to comply with another program requirement, or
    - iii) is in need of supportive services in order to participate.

The penalty for failure to comply with EDP requirements is as set forth in Program Penalties/Sanctions, below.

**The JOBS Program**

Recently, the name of the State's JOBS Program was changed to the Employment Services Program. Any recipient may volunteer to participate in JOBS and have an EDP developed. However, a non-exempt recipient who is subject to the Work Program requirement must meet the Work Program requirement in order to be approved for participation in a JOBS component. JOBS participation may be mandated for a non-exempt recipient subject to the time limit but otherwise exempt from the Work Program requirement, if there are unfilled slots in the JOBS program. An individual subject to the 24-month time limit will not receive approval to participate in a component unless there is sufficient time remaining within the time limit to allow for completion of the component.

The following components will be included under JOBS:

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## WAIVER TERMS AND CONDITIONS

## WISCONSIN WORK NOT WELFARE DEMONSTRATION

## SECTION 1: GENERAL ISSUES

- 1.0 The Department of Health and Human Services and the Department of Agriculture (hereinafter referred to as the Departments) will grant waivers to the State of Wisconsin (hereinafter referred to as the State) under section 1115 of the Social Security Act, as amended, and section 17(b) of the Food Stamp Act of 1977, as amended, to operate the Work Not Welfare Demonstration (hereinafter referred to as the demonstration or WNW) as set forth in these Waiver Terms and Conditions. Each Department reserves the right, in its sole discretion, to withdraw any and all waivers granted by the Department at such time(s) that either Department determines that the State has materially failed to meet the requirements as set forth in these Waiver Terms and Conditions. The State also retains the right to terminate the demonstration.
- 1.1 Failure to operate the demonstration as approved and according to Federal and State statutes and regulations will result in withdrawal of waivers. After waivers are granted, each Department reserves the right to withdraw them if agreement cannot be reached on any item(s) cited in this document as needing approval by the Departments. The State also has the same right.
- 1.2 If Federal or State statutes or regulations that would have a major effect on the design and impacts of this demonstration are enacted, the Departments and the State will reassess the overall demonstration and develop a mutually agreed-upon strategy for dealing with the demonstration in the context of such changes. If such a mutually agreed-upon strategy cannot be developed, each Department reserves the right, in its sole discretion, to withdraw any or all waivers at such time(s) as that Department determines.
- 1.3 The demonstration provisions will be implemented no earlier than January 1, 1995 and no later than January 1, 1997, in two counties in Wisconsin. The demonstration provisions shall be as specified in Section 2. Waivers necessary for the demonstration are approved upon acceptance by the Departments and the State of these Waiver Terms and Conditions. They are effective beginning with the implementation date as