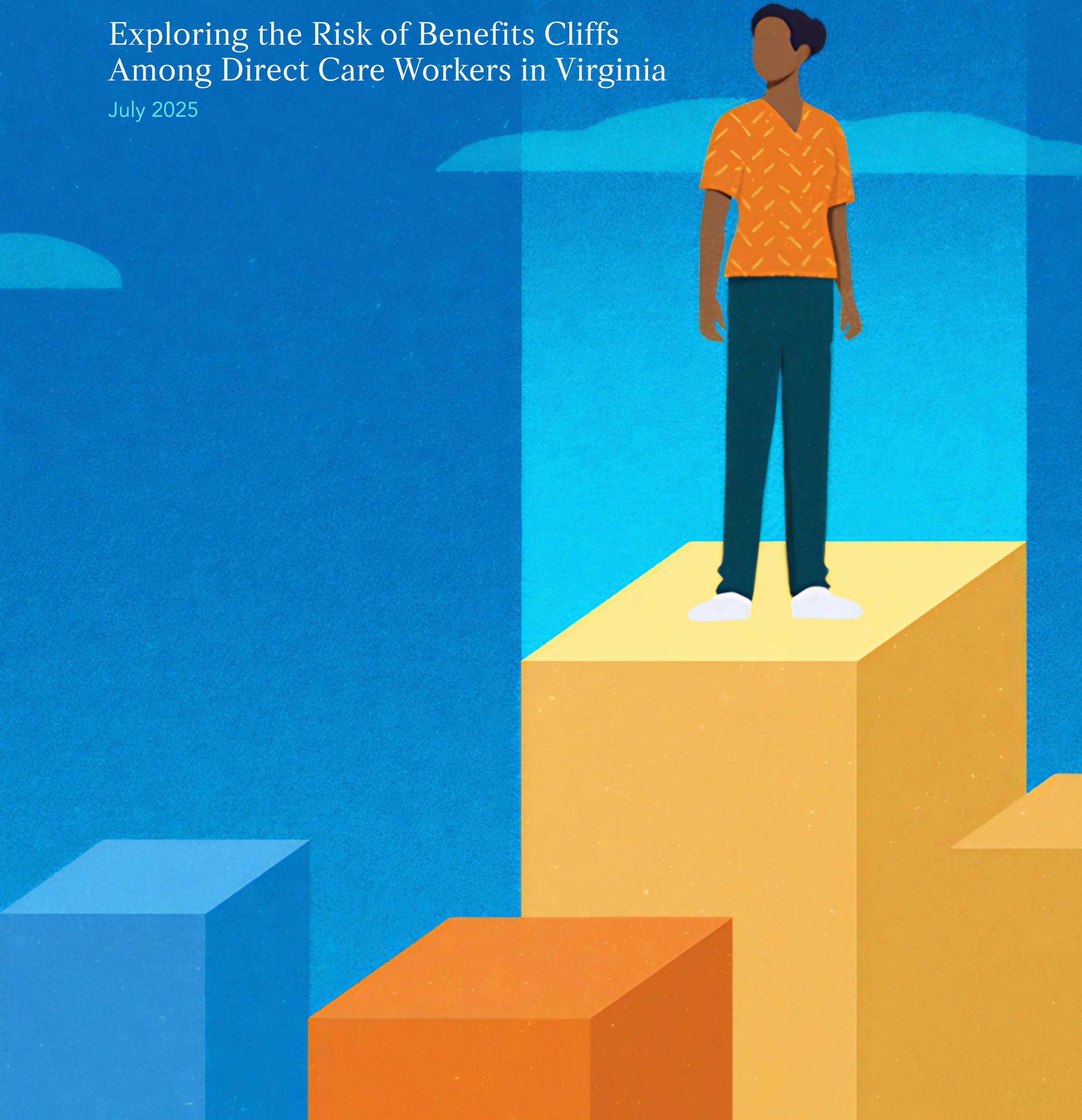
TIPPING POINT:

Exploring the Risk of Benefits Cliffs Among Direct Care Workers in Virginia

July 2025



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Executive Summary

Direct care workers—including personal care aides, home health aides, and nursing assistants—provide vital support to older adults and people with disabilities, yet many live in poverty due to low wages and unstable hours. To make ends meet, they often depend on public benefit programs to survive. Because of strict program rules, modest income gains can reduce or eliminate access to these public benefits and increase workers' tax burden, offsetting income increases or erasing them altogether—a situation known as a "benefits cliff."

To understand how income increases and lost benefits affect direct care workers in Virginia, LeadingAge Virginia and its affiliated foundation, PositiveAge, partnered with PHI to conduct a mixed-methods study. Using American Community Survey data (2018–2022) and the Federal Reserve Bank of Atlanta's Policy Rules Database, PHI modeled how three hypothetical $5,000 income increases would impact workers' overall resources (including income, taxes, and the value of public benefits). We also conducted interviews to capture workers' lived experiences navigating changes in income and public benefits. We found:

- The median share of each hypothetical $5,000 income increase that is lost to reduced benefits and taxes is 35 to 37 percent statewide—percentages that are equivalent to the tax rates for the wealthiest Americans.
- The cumulative percentage of workers experiencing at least one benefits cliff is 9 percent after the first hypothetical $5,000 income increase, 13 percent after the second, and 16 percent after the third.
- In interviews, direct care workers described unpredictable income changes—driven by variable schedules and pay rates—that frequently led to benefit losses and deep financial hardship.

Based on these findings and drawing on examples from across the country, we identified the following policy strategies to mitigate the risk of benefits cliffs for Virginia's direct care workforce.

1. **Raise eligibility thresholds** so that modest wage or hour increases don't immediately disqualify workers from benefits.
2. **Expand income disregards** by exempting a portion of earnings from benefit calculations, allowing workers to continue receiving benefits temporarily after becoming ineligible for benefit programs.
3. **Offer transitional benefits** in the form of cash benefits to temporarily bridge the gap after benefit losses.
4. **Establish benefits coaching programs** to provide guidance to workers on program rules, financial planning, and strategies to avoid cliffs.

Implementing these policies would mean that direct care workers could pursue higher wages and more hours without fear of sudden and unanticipated financial setbacks. In turn, these strategies could reduce turnover and expand direct care workforce capacity at a time when these workers are in high demand and short supply.[1] State intervention on benefits cliffs is urgently needed now, given recent federal policy changes that will limit access to safety net programs and increase the risk of benefits cliffs.[2] Even in this context, these policy strategies have the potential to enhance the well-being of workers, strengthen recruitment and retention, and improve care for older adults and people with disabilities in Virginia.

Figure 1: Who are Virginia's Direct Care Workers?

95,500 Total Direct Care Workers
89% Women
64% People of Color

Unstable Work Hours
31% Part-Time
21% Part-Year

Low Income
$14.05 Median Hourly Wage
$24,492 Median Personal Earnings
38% In or Near Poverty (<200% FPL)

High Reliance on Public Assistance
21% Access Medicaid Coverage
23% Access Food and Nutrition Assistance

Background

A large and growing number of older adults and individuals with disabilities nationwide need assistance with everyday tasks such as eating, bathing, and dressing.[3] While unpaid family members and friends provide the majority of this care, many individuals also receive support from direct care workers, including personal care aides, home health aides, and nursing assistants. Despite their essential role, many of these workers face financial instability due to low wages and limited or inconsistent work hours. Because their incomes are often insufficient, many direct care workers rely on one or more public benefit programs to access basic goods and services, like food, housing, and health care.

Due to strict income-based eligibility criteria, small changes in direct care workers' hours or wages can mean they lose essential public benefits—as well as being taxed at a higher rate. When these costs (i.e., the value of lost benefits plus additional taxes) are calculated as a percentage of the increase, this is known as the *effective marginal tax rate* (EMTR). In some cases, direct care workers experience an EMTR over 100 percent, meaning that the combined value of lost benefits and additional taxes is greater than their income gain.[4] This situation, called a "benefits cliff," leaves the individual and their family financially worse off than before the income increase. These challenges are difficult to anticipate and avoid, given the wide variation in eligibility criteria and benefit amounts across programs. While benefits cliffs are a widely acknowledged challenge for direct care workers, it remains unclear how many direct care workers are at risk of experiencing them.[5]

LeadingAge Virginia and its foundation, PositiveAge, have worked to fill this knowledge gap in the state, and inform state advocacy efforts to improve upward mobility for direct care workers. LeadingAge Virginia is a professional association representing the not-for-profit continuum of aging services throughout Virginia, including affordable senior housing, area agencies on aging, nursing homes, adult day centers, assisted living, home health, hospice, the Program of All-Inclusive Care for the Elderly (PACE), and continuing care retirement communities. Its affiliated foundation, PositiveAge, is an emerging nonprofit focused on transforming the aging experience in Virginia by building coalitions and developing innovative solutions to promote positive aging. LeadingAge Virginia recognizes that its members want to improve compensation for their workers, given the harsh economic realities faced by these workers (see Figure 1), but without causing unintended consequences by triggering benefit losses. These concerns are especially urgent now, as recent federal policy changes threaten to cut funding and limit access to public benefits, intensifying the risk of benefits cliffs for direct care workers.[6]

Prior studies have examined household composition and earnings scenarios to identify the income levels at which benefits cliffs occur, including recent analyses by LeadingAge Virginia focusing on specific cities and counties across the state.[7] These preliminary analyses found that various family types, all with children, would experience benefits cliffs as the result of a wage progression from $12.00 per hour to $35.00 per hour.[8] The scenario-based analysis for Richmond City found, for example, that one adult with two children ages 3 and 5 would experience three benefits cliffs over the course of this wage progression, at $15.50 per hour, $22.75 per hour, and $25.75 per hour.[9] To expand on its previous studies, LeadingAge Virginia partnered with PHI to analyze how increases in income affect direct care workers' access to public benefits and overall economic stability for workers across the state. Specifically, this study aimed to answer the following research questions:

1. What effective marginal tax rates (EMTRs) do direct care workers face due to the loss of benefits when their income increases?
2. What proportion of direct care workers in Virginia are at risk of experiencing benefits cliffs with increases in income?
3. How do direct care workers in Virginia describe navigating benefits cliffs, and the specific barriers and tradeoffs they face?

To answer these questions, this study relies on two complementary methods. First, we used quantitative data to investigate the proportion of direct care workers who are at risk of benefits cliffs in Virginia following three hypothetical $5,000 increases to their current annual income. One income increase of $5,000 per year equates to a $2.40 per hour wage increase for a full-time direct care worker. Second, we conducted interviews with direct care workers to learn about their lived experiences navigating wage growth opportunities relative to the risk of benefits cliffs. Drawing on examples from other states, the report concludes with policy recommendations for improving direct care workers' economic stability and strengthening workforce recruitment and retention in Virginia and beyond.

Methodology

Estimating Benefits Cliffs and Effective Marginal Tax Rates (EMTRs)

For our quantitative analyses, we used American Community Survey (ACS) 5-year data for 2018 to 2022 from the U.S. Census Bureau, and the 2022 version of the Policy Rules Database (PRD) from the Federal Reserve Bank of Atlanta.[10] The PRD includes eligibility rules and benefit levels for numerous public benefit programs. We included the following benefits:

- Affordable Care Act (ACA) Marketplace Health Insurance
- Child and Dependent Care Tax Credit (CDCTC)
- Child Care and Development Fund (CCDF)
- Earned Income Tax Credit (EITC)
- Free or Reduced-Price School Lunch
- Head Start
- Low-Income Home Energy Assistance Program (LIHEAP)
- Medicaid for Adults
- Medicaid for Children/Children's Health Insurance Program (CHIP)
- Pre-Kindergarten Programs (Pre-K)
- Section 8 Housing Choice Voucher Program
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
- Supplemental Nutrition Assistance Program (SNAP)
- Temporary Assistance for Needy Families (TANF)

We merged PRD and ACS data to determine benefit eligibility and estimated benefit values for the ACS sample by applying program-specific rules to each family unit's size, pre-tax income, home ownership, vehicle ownership, and demographic characteristics (e.g., family member age and disability status).[11] We necessarily excluded 17 percent of the direct care workers in the ACS sample because their benefit eligibility could not be determined using the PRD. Our final sample for statewide analyses included 2,451 respondents, or 61,122 direct care workers after applying survey weights. For our geographic analysis, we did not report on five metropolitan areas that were not identifiable in the ACS,[12] as well as Harrisonburg because it had a small sample size and high error margins. The sample sizes for each geographic area, including those that were excluded or not identifiable, are shown in Table 1 below.

The PRD calculates the cash value of benefits via statutory formulas (e.g., SNAP and EITC) or through modeled estimates based on reasonable assumptions (e.g., Medicaid). We used the PRD to estimate total resources for all direct care workers based on the public benefits they were eligible for, not which benefits they received, because the ACS does not ask about benefit enrollment for most benefits.[13] We defined *resources* using the following formula:

Resources = Family Income + Value of Public Benefits – (State and Federal Taxes)

We quantified resources at baseline using direct care workers' actual family incomes, and then after three hypothetical $5,000 income increases (totaling $15,000). This $15,000 total hypothetical increase roughly equates to the difference between 25th and 75th percentile earnings reported in the ACS, as shown in Table 2.

Table 1: Weighted and Unweighted Sample of Direct Care Workers in Virginia with Public Benefits Eligibility Data, 2018 to 2022

Metropolitan Area	Unweighted Sample	Weighted Sample
Washington-Arlington-Alexandria, DC-VA-MD-WV	518	13,374
Virginia Beach-Norfolk-Newport News, VA-NC	501	13,583
Richmond, VA	356	10,197
Lynchburg, VA	116	2,554
Roanoke, VA	104	2,669
Blacksburg-Christiansburg-Radford, VA	53	1,239
Area Excluded or Not Identifiable	803	17,506
All Virginia Direct Care Workers	2,451	61,122

Source: The Federal Reserve Bank of Atlanta. 2025. "The Policy Rules Database." https://www.atlantafed.org/economic-mobility-and-resilience/advancing-careers-for-low-income-families/policy-rules-database; Ruggles, Steven, Sarah Flood, Matthew Sobek, Daniel Backman, Annie Chen, Grace Cooper, Stephanie Richards, Renae Rodgers, and Megan Schouweiler. 2024. IPUMS USA: Version 15.0 American Community Survey, 2022. Minneapolis, MN: IPUMS. https://doi.org/10.18128/D010.V15.0; Analysis by PHI (January 2025).

Table 2: Analysis of Personal Wage and Salary Income and Total Family Income for Direct Care Workers in Virginia, by Family Composition, 2018 to 2022

	Personal Wage and Salary Income			Total Family Income		
Family Composition	25th Percentile	Median	75th Percentile	25th Percentile	Median	75th Percentile
1 Adult, 1 Child	$17,223	$24,550	$35,700	$20,668	$28,329	$38,527
1 Adult, 2 Children	$14,484	$27,195	$40,113	$19,640	$32,427	$42,484
2 Adults, 1 Children	$18,000	$26,888	$35,072	$46,762	$74,799	$105,216
2 Adults, 2 Children	$17,536	$28,057	$35,072	$47,932	$80,950	$116,544
1 Childless Adult	$12,863	$23,000	$34,447	$17,300	$28,000	$38,696
2 Childless Adults	$15,565	$24,929	$35,000	$38,780	$63,456	$90,651

Note: Children are defined as under the age of 22 per the SNAP program definition—the highest age threshold for children among means-tested public benefit programs.

Source: Ruggles, Steven, Sarah Flood, Matthew Sobek, Daniel Backman, Annie Chen, Grace Cooper, Stephanie Richards, Renae Rodgers, and Megan Schouweiler. 2024. IPUMS USA: Version 15.0 American Community Survey, 2022. Minneapolis, MN: IPUMS. https://doi.org/10.18128/D010.V15.0; Analysis by PHI (January 2025).

Based on differences in resources following each income increase, we first estimated the percentage of each $5,000 raise that is offset by lost public benefits and additional taxes in order to quantify EMTRs. This calculation used the following formula:

$$EMTR= \frac{Additional\ Taxes+Value\ of\ Lost\ Public\ Benefits}{Increase\ in\ Income}$$

Next, we estimated the cumulative percentage of direct care workers who would experience at least one *benefits cliff* (meaning an EMTR over 100 percent) following each hypothetical $5,000 income increase—to assess how the risk of benefits cliffs accumulates after more than one increase. We then identified which benefits contributed the most to the drop-off in resources.

Finally, we tabulated EMTRs and benefits cliffs for direct care workers by metropolitan area in order to identify regional variations. We examined the following metropolitan areas: Blacksburg-Christiansburg-Radford, Lynchburg, Richmond, Roanoke, Virginia Beach-Norfolk-Newport News, and Washington-Arlington-Alexandria. As described above, we excluded some areas of the state because they were not identifiable in the ACS or had an insufficient sample size.[14]

Exploring Workers' Experiences

We recruited participants for the qualitative component of our study through outreach to LeadingAge Virginia members and via snowball sampling, asking interview participants to share the opportunity with their coworkers. This recruitment approach meant that our sample was restricted to participants employed by nonprofit long-term care providers who were members of LeadingAge Virginia. Nonprofit organizations constitute a substantial minority of employers in the long-term services and supports sector. These employers tend to demonstrate systematic differences from for-profit employers with regards to staffing and job quality, among other characteristics.[15]

A total of 12 direct care workers participated in interviews. Their ages ranged from 22 to 65 years old, with an average age of 33. Eleven were women and one was a man. Five had a high school education or less. All the workers we interviewed were Black or African American and born in the United States. Nine interviewees worked for home care agencies, two worked as direct support professionals in residential communities, and one worked in an assisted living community.

We developed an interview guide in consultation with LeadingAge Virginia and conducted interviews by telephone or video call, according to the preferences of the participants. We recorded and transcribed the interviews and conducted thematic analysis using Delve qualitative analysis software. We coded the transcripts, grouped the codes into themes, and refined the themes through discussion within the research team and in relation to the quantitative findings.

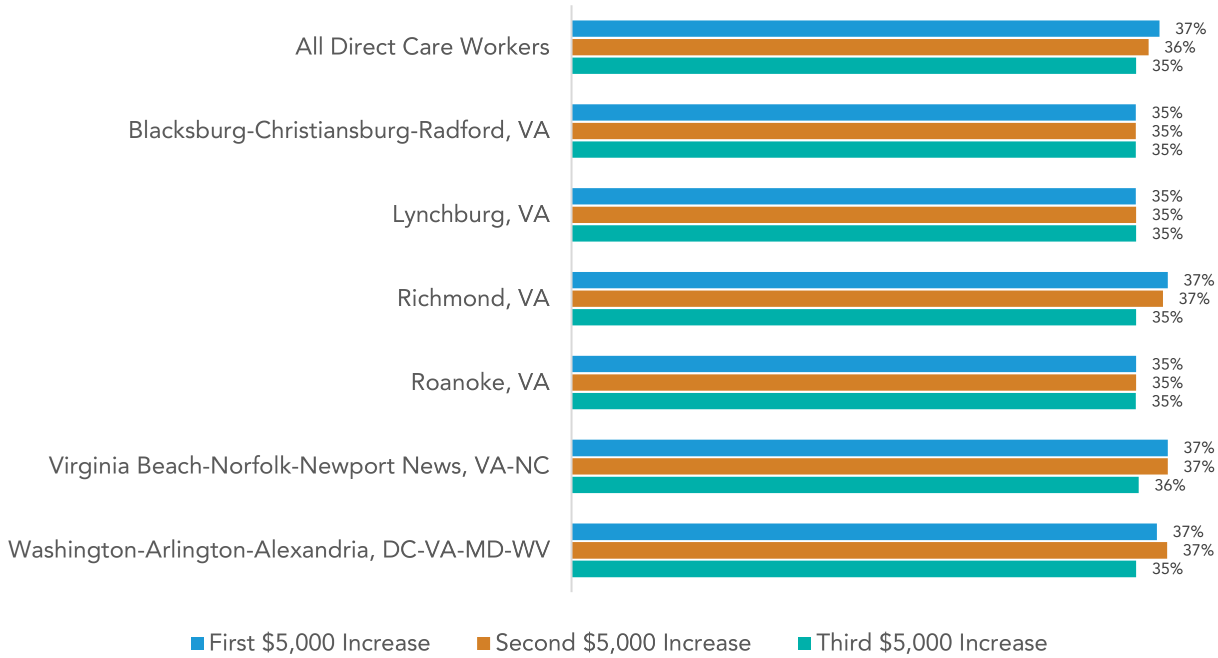
Findings: The Risk of Benefits Cliffs for Direct Care Workers in Virginia

Our analysis finds that many direct care workers lose eligibility for public benefit programs with modest hypothetical income increases. The value of the lost benefits is substantial—enough, in some cases, to create benefits cliffs that leave workers financially worse off despite higher earnings. Such situations can exacerbate economic instability and, combined with other factors, increase the likelihood that workers exit the profession altogether, at a time when their services are in extremely high demand.

Workers Face High Effective Marginal Tax Rates (EMTRs) Across Virginia

We find that workers lose a substantial proportion of hypothetical income increases through lost benefits, as represented by EMTRs. Median EMTRs range from 35 percent to 37 percent across income increases and across metropolitan areas, as shown in Figure 2. The median EMTR at the first hypothetical $5,000 increase is 35 percent, meaning workers typically lose $1,750 of the increase to lost benefits and higher taxes. At the second $5,000 increase, workers face a median EMTR of 36 percent (equal to $1,800), and at the third increase, the median EMTR rises to 37 percent ($1,850). These rates correspond to the first and second highest federal income tax brackets in the U.S.: for single adults, income at or above $626,350 is taxed at 37 percent, and income at or above $250,525 is taxed at 35 percent.[16] This means direct care workers can lose a share of their income increases at rates comparable to the highest income earners in the country.

Figure 2: Median Effective Marginal Tax Rates (EMTRs) for Direct Care Workers in Virginia After Hypothetical $5,000 Income Increases, by Increase and Metropolitan Area, 2022

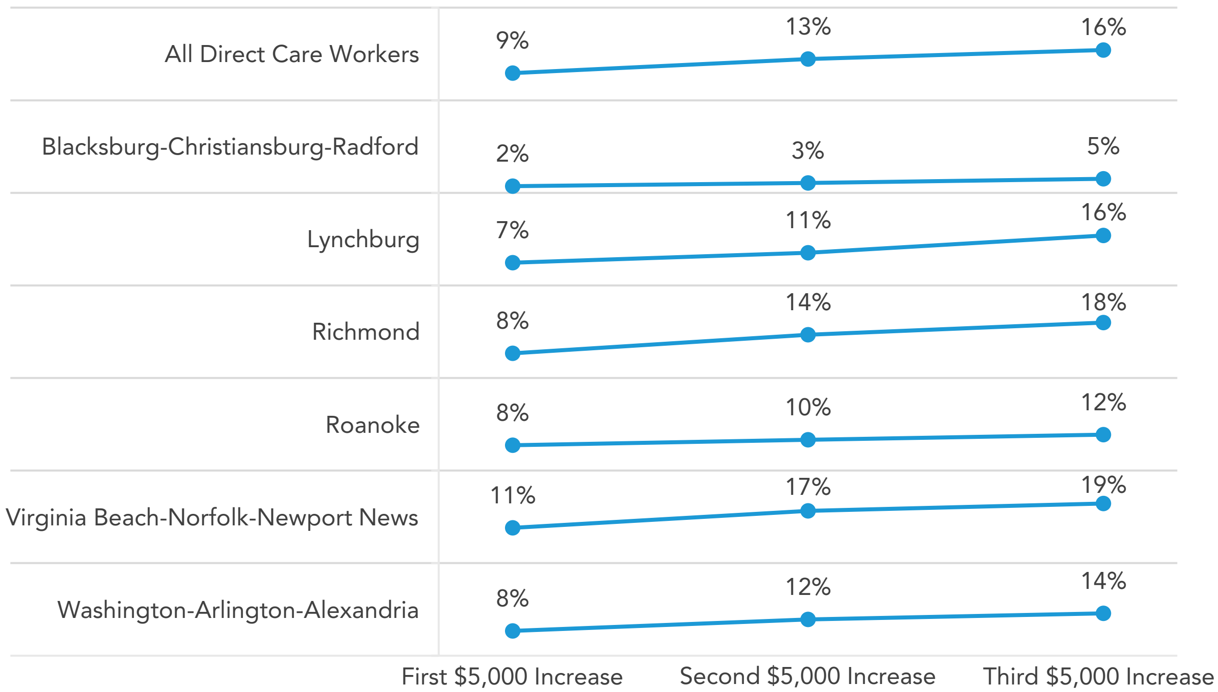


Source: The Federal Reserve Bank of Atlanta. 2025. "The Policy Rules Database." https://www.atlantafed.org/economic-mobility-and-resilience/advancing-careers-for-low-income-families/policy-rules-database; Ruggles, Steven, Sarah Flood, Matthew Sobek, Daniel Backman, Annie Chen, Grace Cooper, Stephanie Richards, Renae Rodgers, and Megan Schouweiler. 2024. IPUMS USA: Version 15.0 American Community Survey, 2022. Minneapolis, MN: IPUMS. https://doi.org/10.18128/D010.V15.0; Analysis by PHI (January 2025).

Benefits Cliffs Are a Risk for Direct Care Workers in Virginia

An EMTR over 100 percent at a given income increase means a worker will experience a benefits cliff. We find that the cumulative percentage of direct care workers who experience at least one benefits cliff is 9 percent after the first hypothetical $5,000 increase, 13 percent after the second, and 16 percent after the third, as shown in Figure 3. This means that by the third income increase, nearly one in six direct care workers will find themselves worse off financially after an incremental increase in earnings—due to the value of lost benefits outweighing an increase to their income. These percentages vary across metropolitan areas: the cumulative percentage of direct care workers who reach at least one benefits cliff after three $5,000 increases ranges from 5 percent in Blacksburg-Christiansburg-Radford to 19 percent in Virginia Beach-Norfolk-Newport News.

Figure 3: Cumulative Percentage of Direct Care Workers with at Least One Benefits Cliff After Hypothetical $5,000 Income Increases, by Increase and Metropolitan Area, 2022

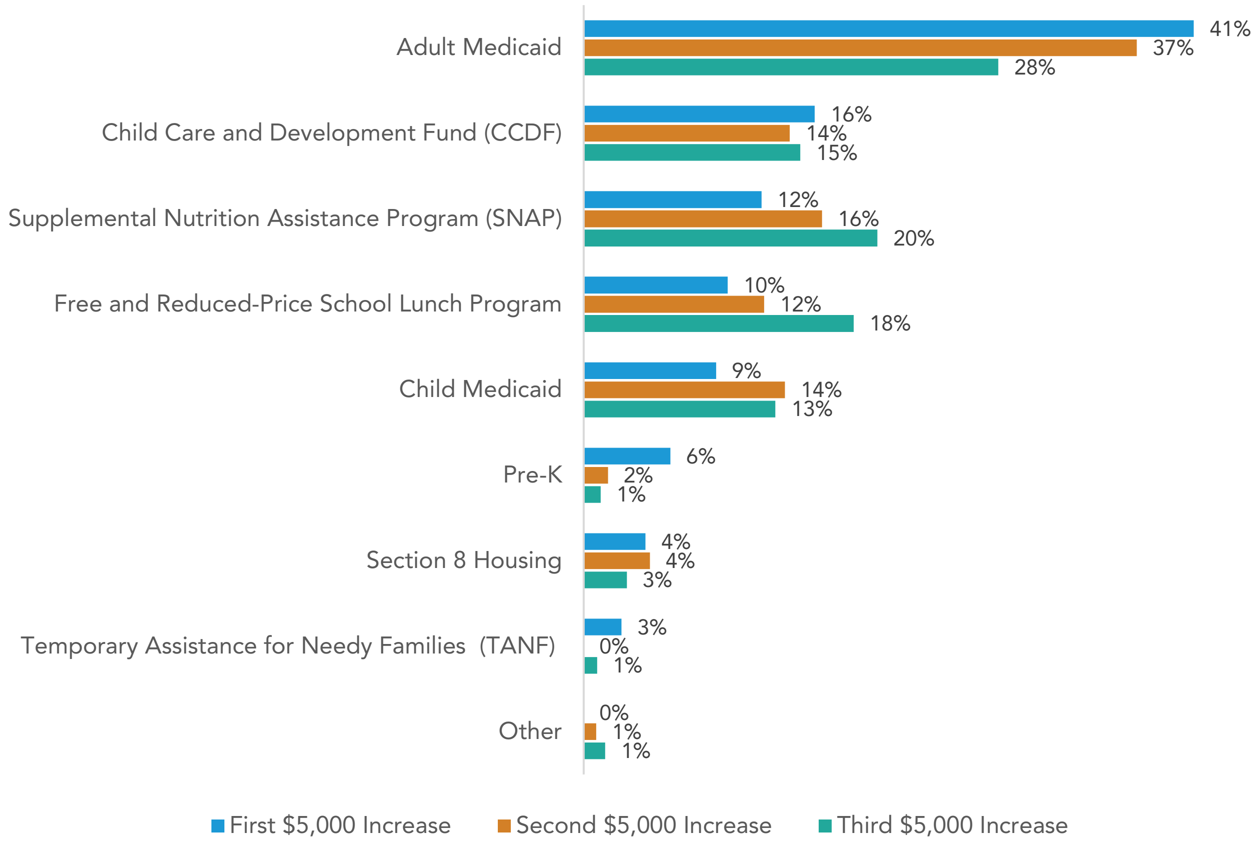


Source: The Federal Reserve Bank of Atlanta. 2025. "The Policy Rules Database." https://www.atlantafed.org/economic-mobility-and-resilience/advancing-careers-for-low-income-families/policy-rules-database; Ruggles, Steven, Sarah Flood, Matthew Sobek, Daniel Backman, Annie Chen, Grace Cooper, Stephanie Richards, Renae Rodgers, and Megan Schouweiler. 2024. IPUMS USA: Version 15.0 American Community Survey, 2022. Minneapolis, MN: IPUMS. https://doi.org/10.18128/D010.V15.0; Analysis by PHI (January 2025).

Several Programs Drive Benefits Cliffs

According to our analysis, Medicaid for adults is the most common driver of benefits cliffs after the first hypothetical $5,000 income increase, accounting for 41 percent of cases, as shown in Figure 4. This percentage declines with subsequent raises—dropping to 37 percent at the second increase and 28 percent at the third. Medicaid for Children/Children's Health Insurance Program (CHIP), Free and Reduced-Price School Lunch, the Supplemental Nutrition Assistance Program (SNAP), and the Child Care and Development Fund (CCDF) program are also common primary contributors to cliffs. Apart from CCDF, these benefits become more likely to be the primary cause of a cliff after the second and third increases. This pattern reflects key differences in the programs. Medicaid for adults is a high-value benefit with low eligibility thresholds and sharp cutoffs, whereas SNAP, Medicaid for Children/CHIP, and Free and Reduced-Price School Lunch have higher income limits or more gradual phase-outs, making them more likely to trigger cliffs at higher income levels.

Figure 4: Frequency of Public Benefit Programs Driving Benefits Cliffs at Each $5,000 Increase, 2018 to 2022



Source: The Federal Reserve Bank of Atlanta. 2025. "The Policy Rules Database." https://www.atlantafed.org/economic-mobility-and-resilience/advancing-careers-for-low-income-families/policy-rules-database; Ruggles, Steven, Sarah Flood, Matthew Sobek, Daniel Backman, Annie Chen, Grace Cooper, Stephanie Richards, Renae Rodgers, and Megan Schouweiler. 2024. IPUMS USA: Version 15.0 American Community Survey, 2022. Minneapolis, MN: IPUMS. https://doi.org/10.18128/D010.V15.0; Analysis by PHI (January 2025).

Findings: Workers’ Perspectives on Public Benefits and Financial Security

In their in-depth interviews, direct care workers reported facing precarious financial situations characterized by unpredictable changes in income. They also shared how financial unpredictability and precarity—driven by shifting work schedules and fluctuations in hourly pay—frequently result in reductions in, or complete loss of, public benefits. The following section explores these qualitative findings, presenting central themes that describe workers’ experiences and perspectives.

Variable Wages Make Finances Unpredictable

Interview participants reported that sudden pay cuts, unexpected raises, and variable wages across clients made it difficult for them to plan financially. These findings indicated how workers have little control over their earnings, which limits their ability to maintain consistent finances.

In Their Own Words:

> “So the company that I was with originally they... Well, I had to find out from someone else about this, but they were changing our pay from $18.50 down to $15.00. And I wasn't aware. I found out on a Wednesday, and it was set to happen on that Friday.”
>
> “I started out at $7.25... Every time I turned around, I had a raise. I didn’t even know I was getting one and I just noticed a difference in my check... I think [my wage] is $12.00.”
>
> “[I get paid] from $13.00 to $18.00—it’s different clients. So one client might be $13.00, one client might be $17.00, depending on their insurance.”
>
> “I get paid like $13.50, but I guess it depends on the case as well. Because these are Medicaid cases. And I guess if you have like a [Veterans Affairs] case or a private pay case, [my employer] does pay more.”

Scheduling Challenges Further Complicate Finances

In addition to unpredictable wages, many direct care workers struggle to find and maintain enough hours, further affecting their income stability, eligibility for public benefits, and overall financial control. They reported scheduling issues stemming from a variety of factors, including evolving client needs, caregiving responsibilities, and other logistical issues.

In Their Own Words:

> “I was getting real good hours when I first started with health care. But then patients pass, and you don't have no hours. So I had to get something else, you know, for insurance.”
>
> “The clients didn't have enough hours to give out because they were on Medicare or Medicaid as well, and they get a certain amount of hours.”

> "So it's … the holidays and stuff like this. I understand the slowing down [of hours with clients] because you know, people [have] family coming into town, stuff like this, so they really feel like they don't need this [care]."

> "I work 35 hours a week... I was getting at least 45 hours… Because now that I have everybody in Head Start … so they all have to be at school at 7:45 and they have to be picked up by 3:00, so I'm trying to adjust my hours for everybody."

> "I was just at home for like 2 months waiting on the case… I don't drive, so if they don't have nothing on the bus line, then I can't do it. So 9 times out of 10, I probably would have to switch to another job because the case that I have now is not on the bus line."

Public Benefits Changes Are Difficult to Predict

Due to variable incomes—as well as administrative issues with public benefit programs—interview participants frequently reported changes in benefit amounts and enrollment, particularly those who receive SNAP and other forms of food and nutrition assistance. These changes made it more difficult for them to make ends meet.

In Their Own Words:

> "For the last few weeks, they took my pay up to $16.00. So [the SNAP program], they found out about that, so they suspended the whole thing, and I didn't get any benefits for three months... And now that I've reapplied with SNAP, I don't get as much as I was getting, even though I'm making the same amount that I was making, because at first I was getting $500 and something... And now I only get $200… In reality, $200 a month for food is not enough, especially when you have a growing boy and I'm a grown woman... And then it's like I'm always tired because I'm always going to work. So instead of eating, I'm trying to go to sleep so that I can get up to go to work."

> "You know, you get the assistance, and even trying to get assistance, that's like, that's hard too, because they don't answer the phone. It becomes a headache… I haven't had any luck getting in contact with anybody [after losing SNAP benefits], and that's why calling, leaving messages and you know now even to go to the building, it's like you gotta fill out a form and they'll get back with you. It's no one you can really talk to in person anymore… They told me that I had to do an appeal, so I did my appeal. And I don't know, honestly, I don't even know what happened with it."

> "I just told [my landlord] that I started working. When I was working full-time last year, my rent was like $350. So being that I got a little raise of like a dollar since then, so it probably be like $400 [now]."

> "And then I did at one point in time, I did start making more money. And of course, they cut me off. I'm like, well, what is $100 [in total SNAP benefits] gonna do? I just didn't apply again. And then when I moved and, you know, I wasn't making as much money anymore… I went back and I reapplied."

> "I went from getting $753 in food stamps to $150 with three children. With three children, $150 is not even my kids' snacks alone. I had to pay cash. And I had to work more hours at work."

> "I used to get food stamps in the past, when I wasn't working...But like I say, once you start working everything just kind of gets cut off. Guess it's just the way the government works. But yeah, it sucks."

Workers View Sharp Public Benefit Cutoffs as Impediments to Upward Mobility

Interview participants indicated that strict income limits discourage saving and make it harder to advance in their careers, leaving them caught between wanting to improve their financial situation and needing continued support to meet basic needs.

In Their Own Words:

> "The people that's working...[having public benefits] could be a way to save money. So I just wish there wasn't an income limit on government benefits, even if you're working, you should still be able to get $300 in food stamps, $400 in food stamps, Medicaid and stuff like that."

> "It's sad because it's a lot of things that, you know, I want, as far as work-wise [i.e., earning more by advancing in a direct care career]. But I also know that I still need that extra ... help [i.e. SNAP benefits] and it makes it hard and it's like you have no way to kind of you know, better yourself."

Policy Options to Support Workers' Economic Stability

Policy changes are needed at both the federal and state levels to improve the structure of public benefit programs and ensure direct care workers and other low-wage workers can cover essential expenses and survive. Virginia has already implemented certain policies that help mitigate benefits cliffs, as described below, but there are numerous opportunities to further strengthen the state's safety net, drawing lessons from examples across the country.

These policy options include interventions to prevent or delay the total loss of benefits at higher income and asset levels, as well as programs designed to help workers plan and predict their benefits under existing program requirements through coaching. Below, we present several policy options along with specific state examples.

1. Increase Income Eligibility Limits

Raising eligibility thresholds, including income and asset limits, means workers can take on additional hours or wage increases without losing valuable benefits. Virginia has already raised income limits for Medicaid and SNAP and removed asset tests from TANF. However, the state still has opportunities to preserve and expand on this progress.

State Examples:

- **Protect expanded Medicaid eligibility thresholds.** Medicaid expansion improves health insurance coverage for direct care workers.[17] However, Virginia is one of nine states with laws in place that automatically rescind Medicaid expansion if the federal portion of funding for the program falls below 90 percent.[18] Repealing this Medicaid expansion "trigger law" would help support continued access to Medicaid coverage, regardless of future changes in federal funding. A bill introduced in the Illinois state legislature would remove their state's "trigger law" and could serve as an example for Virginia.[19]

- **Set higher eligibility thresholds to receive coverage through CHIP.** Virginia is currently tied with four other states for having the second-lowest eligibility thresholds for CHIP—a clear opportunity for reform.[20] New York has the highest eligibility threshold for this program at 405 percent FPL, and 19 other states have eligibility thresholds over 300 percent FPL.[21]

2. Expand Income Disregards

Disregarding a portion of earned income when determining benefit eligibility or calculating benefit amounts is another strategy for addressing the benefits cliff. Like raising income eligibility thresholds, income disregards allow individuals to increase their earnings without immediately losing benefits. In some cases, states disregard all income for a limited period for specific programs, enabling beneficiaries to continue receiving full benefits while their income rises. While Virginia has implemented partial income disregards, it has not adopted more generous, time-limited total disregards.

State Examples:

- **Implement income disregard policies for TANF benefit levels.** Eight states have implemented 100 percent TANF income disregards in calculating benefit amounts for at least three months.[22] All program beneficiaries in these states can temporarily earn additional income with no changes to their TANF benefit amounts. New Hampshire has taken a narrower approach, allowing a 100 percent income disregard exclusively for workers in occupations with high workforce demand, including home care workers.[23]

- **Maintain continuous eligibility in Medicaid.** During the COVID-19 pandemic, all states paused Medicaid eligibility reassessments as a condition of receiving federal emergency funding. This allowed beneficiaries to maintain coverage throughout the public health emergency, regardless of income changes. Although these COVID-era flexibilities have ended, a new federal law does guarantee 12 months of continuous eligibility for children under age 19.[24] Eight states have gone further with waivers from the Centers for Medicare & Medicaid Services (CMS) to allow children to remain continuously eligible for Medicaid through age five.[25] Some have also successfully applied for waivers to extend continuous eligibility for adults under age 65 leaving incarceration.[26] Oregon has the most generous approach to continuous eligibility for Medicaid, offering continuous eligibility for all children through age five and 24 months of continuous eligibility for all enrollees age six and older.[27]

3. Provide Transitional Benefits

Transitional benefits are designed to temporarily cushion the financial disruption that occurs when families or individuals lose eligibility for public benefits. Unlike reforms that adjust eligibility rules, transitional benefits are designed to directly address the gap created by the loss of benefits. Although transitional benefits might not have the broad impact of systemic policy changes, they can mitigate the immediate hardships that result from lost benefits.

State Examples:

- **Pay a cash benefit to families to make up for the loss in net resources.** The Our ChanceTN pilot provides a transitional cash benefit to families who lose other benefits and experience a benefits cliff.[28] These funds can be used for child care, housing, and health care.[29] The state partnered with the Federal Reserve Bank of Atlanta to create a calculator to assess the value of lost benefits and determine transitional benefit amounts.

- **Cover private health insurance for low-income individuals.** Nine states currently provide financial assistance with marketplace health insurance in addition to federal assistance.[30] By facilitating the transition to private coverage, these provisions aim to prevent or mitigate sudden increases in health care costs for those whose earnings exceed Medicaid eligibility thresholds. For example, the Covered Connecticut program covers all remaining costs after federal tax credits for a silver-level plan purchased through the state's insurance marketplace.[31] This program completely covers plan premiums, copays, deductibles, and benefits for dental care and non-emergency medical transportation through the Connecticut Department of Social Services.

4. **Support Workers with Benefits Coaching**

Broad, systemic policy reforms are ultimately needed to prevent and postpone benefits cliffs. Regardless of whether reforms are enacted, many workers will still rely on multiple public benefit programs—each governed by its own complicated rules and structures. State-sponsored coaching programs can help individuals and families navigate the complex eligibility requirements of public benefit programs, make short- and long-term financial decisions, and prepare for the risk of benefits cliffs.

State Examples:

- **Include coaching as part of existing services offered by state agencies.** The Federal Reserve Bank of Atlanta has created a suite of tools called the Career Ladder Identifier and Financial Forecaster (CLIFF) tools (based on the PRD) that help predict how career advancement in the short-term or the long-term will affect eligibility for public benefits.[32] State agencies in Maine have incorporated the CLIFF tools into regular benefits appointments at the Maine Department of Health and Human Services and career counseling sessions at the Maine Department of Labor.[33]
- **Offer benefits cliff counseling alongside case management and financial and career counseling.** The Career MAP pilot in Washington, D.C. offers financial counseling, including benefits cliff counseling, aimed at helping program participants achieve personal goals.[34] The pilot also provides a dedicated career navigator to each family to help with employment placement as well as education and training.[35] Similarly, Our ChanceTN (described above) provides coaches who work with families throughout their time in the program, recognizing that families who experience interruptions in their access to public benefits also therefore lack continuous case management.[36]

Conclusion

Direct care workers provide essential care to older adults and people with disabilities in Virginia and across the U.S., but they are in short supply, leading to harmful care gaps for the people who rely on them. A key strategy for boosting recruitment and retention is to raise wages and improve economic stability for direct care workers. However, workers are at high risk of losing large portions of increased earnings—if and when these increases occur—due to a corresponding loss of public benefits.

Our analysis shows that the median effective marginal tax rates (EMTRs) for $5,000 income increases for Virginia's direct care workers range from 35 percent to 37 percent. As noted above, these rates correspond to the second and third highest federal income tax brackets in the U.S., which means direct care workers can face tax rates comparable to the highest income earners in the country.[37] We also find that a substantial proportion of workers (16 percent) would experience a benefits cliff at some point following the three hypothetical income increases—erasing all their income gains and leaving them worse off financially. Medicaid, a program with high value, low eligibility thresholds, and sharp cutoffs, contributes the most to benefits cliffs.

Our interviews with direct care workers in Virginia confirmed that they perceive benefit eligibility limits and instability as barriers to improving their financial wellbeing. The stakes of losing benefits are high: workers described immense financial hardship after losing benefits, including food insecurity. However, maintaining eligibility and accessing benefits can be extremely difficult. Unpredictable wages and schedules make it nearly impossible for workers to manage their finances and plan for changes in their public benefits. These factors cause workers to repeatedly lose and gain benefits, sometimes within a brief time period.

Changes to public benefits policy are needed. As detailed above, Virginia policymakers could draw on examples from other states to implement a range of solutions, from making more substantive changes to income eligibility limits to providing coaching and support with navigating public benefits access. In the immediate future, the state may need to focus on preserving progress to date, as federal policymakers have enacted significant and harmful changes to SNAP, Medicaid, and the Affordable Care Act insurance marketplace.[38] New enrollment hurdles, reductions in federal program support, and so-called community engagement requirements are likely to trigger unexpected changes in benefit amounts and eligibility—intensifying the risk of benefits cliffs, making workers' financial situation worse, and further destabilizing the direct care workforce and the service they provide.

Employers can also play a role in helping workers navigate benefits cliffs. By clearly communicating changes in wages and supporting stable schedules to the extent possible, employers can enable workers to plan effectively and avoid unexpected changes in their benefits eligibility.[39] Employers can further bolster workers' financial stability by partnering with community-based organizations to provide coaching and resources on public benefits, ensuring workers have the tools and knowledge to avoid financial pitfalls.

The economic instability that characterizes direct care jobs harms workers, and mitigating the effect of benefits cliffs can help workers advance in their careers and move towards economic stability. Reforming public benefits—along with implementing other policies to improve job quality—will enhance the well-being of workers, strengthen workforce recruitment and retention, and improve care for older adults and people with disabilities in Virginia.

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LeadingAge Virginia is an association of not-for-profit and mission-driven aging services organizations serving residents and clients across the aging services continuum, including life plan/continuing care communities, senior housing, assisted living, area agencies on aging, nursing homes, adult day centers, PACE, hospice, palliative care and home and community-based services. We are collaborating to expand the world of possibilities for aging as we seek to achieve our collective vision of positive aging for each Virginian. Learn more at www.LeadingAgeVirginia.org.

PositiveAge, a LeadingAge Virginia Foundation, is an emerging nonprofit focused on transforming the aging experience in Virginia by building coalitions and developing innovative solutions to promote positive aging. For more information, visit www.PositiveAge.org.

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