



# RxKids

A Prescription for Health, Hope, and Opportunity

## PLAYBOOK FOR REPLICATING Rx KIDS: UTILIZING TANF AND PROTECTING PUBLIC BENEFITS

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*Updated: Oct. 1, 2024*

A PROGRAM OF:

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## About Rx Kids

Rx Kids is a landmark program that launched in Flint, Michigan, in January 2024. It is the nation's first citywide maternal and infant cash prescription program. Rx Kids provides all expectant mothers a one-time prenatal prescription (\$1,500) and all infants a monthly prescription of \$500 until age one. Through Rx Kids, the City of Flint is eliminating deep poverty among families while bolstering family financial security, improving health equity, and revitalizing the local economy.

This unique program builds on the historic success of the 2021 expanded [Child Tax Credit that lifted millions of children out of poverty through a policy design that mirrored](#) universal, unconditional child cash benefits used in nations all over the world. The expanded Child Tax Credit also improved the [food security](#), [financial security](#), and [mental health](#) of parents. Based on this domestic and international evidence base, **Rx Kids employs three critical dimensions of program design:**

- Rx Kids is **universal**, serving all families with new infants within a very poor city (a form of targeted universalism). It does not utilize a lottery or impose an income test.

- Rx Kids is **unconditional**, meaning that the aid does not require families to fulfill obligations in order to receive support.
- Rx Kids benefits are **predictable** because everyone gets the same cash prescription amounts and virtually all public benefits are protected and not impacted by them.

Through its design, Rx Kids is delivered in a dignified and efficient way. The program is made possible by a partnership between private philanthropy, led by the C.S. Mott Foundation, and public investment from the State of Michigan. In an historic move, Michigan leveraged the flexibility of Temporary Assistance for Needy Families (TANF) block grant dollars to support this novel effort, which has become a model for the nation. The state has allocated TANF funding to support five years of the program in Flint, and recently added dollars to expand the program to other cities which could launch as early as 2025.

TANF funding is used for Rx Kids through a mechanism referred to as “non-recurrent short-term benefits” ([NRST](#)) that can be used to deliver

up to four months of cash payments to families experiencing an acute economic hardship. Building on research that finds the months surrounding childbirth to be when poverty hits an all-time high during the life course, Rx Kids defines the end of pregnancy and childbirth as a period of acute economic hardship for families. NRST payments are not considered formal cash assistance by TANF, and do not trigger time limits or work requirements. They can be made concurrently with cash assistance and other benefits and can be given to non-TANF participants.

This document describes the nuts and bolts of how to access TANF funds to support an Rx Kids program, and how state departments of human services can protect other social benefits from being impacted by Rx Kids cash prescriptions. It is a “living document” that will be updated with time.

### **In brief, states can use TANF funding to implement a four-month, Rx Kids program**

including one prenatal payment and three payments after birth, with the following steps:

- State departments of human services (DHSs) will likely need to amend their TANF state plan to establish an Rx Kids program stipulating the use of NRST, following guidance from the United States Department of Health and Human Services, Administration of Children and Families Office of Family Assistance. In some states, this may require legislation.
- State legislatures may need to appropriate TANF block grant funding to the program, although some states may be able to dedicate funding through administrative auspices.
- Program stakeholders must decide if the program will be established to serve certain low-income communities within a state, or implemented statewide.



- State DHSs must define a “means-test” to identify “needy” families that can be supported with TANF block grant dollars. States have broad discretion on how to define this means test. An NRST program can have a different means test than the state’s TANF formal cash assistance program. Michigan’s Rx Kids program uses Medicaid coverage as the means test. Families not covered by Medicaid at the time of birth receive benefits through philanthropic sources.
- State DHSs can take steps to protect most other social benefits from being impacted by Rx Kids by partnering with private philanthropy in the making of payments, which can also make the program universal.
- State DHSs should identify a nonprofit partner to administer the program. In Michigan the nonprofit GiveDirectly delivers Rx Kids cash prescriptions to families as a private gift below the federal maximum, making it non-taxable and allowing a pathway for it to not count against many other programs.



## Why Use TANF Funding for an Rx Kids Program?

The [flexible](#) nature of the TANF block grants enable states to use federal funds and state matching dollars (dubbed maintenance of effort or MOE dollars) in ways [that veer far from the goal](#) of providing aid to needy families. To spend funds on cash assistance for poor families, states must navigate numerous rules and face many reporting requirements. To use the money for other purposes, however, [they need only justify](#) that the expense is relevant to one of the other allowable purposes of the program: increasing self-sufficiency, reducing nonmarital births, or promoting marriage.

As a result, states often use the TANF to balance their state budgets or as a funding source for new programs that have little to do with poverty alleviation, while cutting the cash assistance caseload. Nationally, [under 25% of TANF/MOE dollars](#) today are spent on cash assistance, and many states devote a far smaller share towards this purpose. For example, in 2021 Michigan devoted less than 10% of its TANF/MOE funding to basic assistance. In its most recent budget the state began

to increase the fraction of TANF funding being used for cash aid through Rx Kids and other changes.

Many states take advantage of the flexibility afforded under TANF – and purposes 3 and 4 in particular – to fund other priorities of state legislatures. In some states, [money flows to abstinence-only sex education](#), anti-abortion crisis centers, and Christian summer camps. On top of these notable budget items, nearly every state diverts some amount of TANF money to early childhood education, the child welfare system, or refundable tax credits – valuable purposes to be sure, but priorities that could be funded through other revenue streams if there were [stricter guardrails](#) around the eligible uses of TANF dollars, as has recently been proposed by the U.S. Department of Health and Human Services.

In short, while TANF was initially thought to be a welfare-to-work program, it ended up becoming primarily a flexible funding stream – plugging holes in state budgets, but doing very little to support the neediest households with cash aid or work supports.

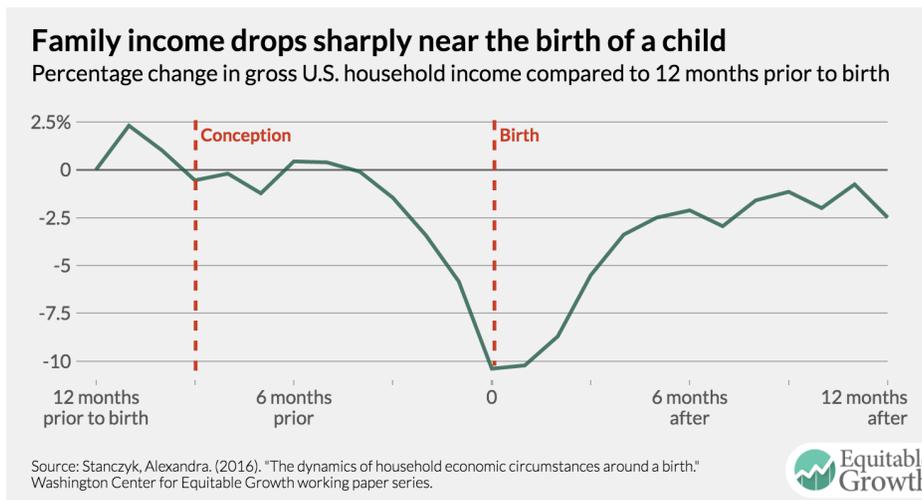
# Using Non-recurrent Short-term (NRST) Benefits to Support a Maternal and Infant Cash Prescription Program

The United States Department of Health and Human Services, Office of Family Assistance (USDHHS OFA), which administers TANF, [specifies](#) that non-recurrent short-term benefits are “designed to deal with a specific crisis situation or episode of need.” There is a long track record of allowing states flexibility in defining what an episode of need is and the structure of their NRST programs. USDHHS OFA [details](#) a list of NRST programs for “job support and readiness” (CO, ME, MN, NY, OR, TX), “child care” (CO), “kinship care” (MD, NJ, TX), and “clothing allowance” (MA, NY, TX), among many other uses.

NRSTs expand the opportunities states have to provide cash assistance to families outside of the monthly cash benefit structure. First, states can set eligibility criteria for NRSTs that are different from their monthly cash payments, allowing them to reach a broader group of

families. Second, because NRSTs are short-term benefits, they do not trigger restrictions (work requirements, time limits and child support cooperation and assignment) that deter many families from applying for monthly cash assistance.

For Rx Kids, we define childbirth as the specific crisis situation and episode of need, which makes it possible to use TANF funds to provide NRSTs to families who give birth to a child. [Research clearly shows](#) that [household income plummets](#) to the lowest level in the life course and [poverty spikes](#) to the highest starting in the last few months before childbirth, peaking at child birth, and remaining elevated through age one. Research also clearly [shows](#) that this is the most critical window of development for children and investments during this time can pay over the long term.



A second factor motivating child birth as an episode of need for the purposes of NRST is the fact that [research](#) indicates that infants are disproportionately at risk—indeed far higher than any other age—of being reported for maltreatment. Infants are more likely to have these reports substantiated, and more likely than older children to be placed out-of-home. Providing support is especially important for children at risk of entering the child welfare system, and—if temporary removal is necessary—for helping families quickly reunify to ensure a stable and permanent home. New [research](#) also finds that the decline of cash welfare in the United States has led to increases in child neglect, child welfare involvement, and foster care placements. Rx Kids builds on this [evidence](#), focusing attention on the critical first year of life. Evidence from the expanded Child Tax Credit found that unconditional cash allowance payments were associated with declines in child maltreatment-related Emergency Department (ED) visits.

While Rx Kids is the first NRST program to define childbirth as an episode of need in a TANF state plan, doing so has been suggested by other experts. Stephanie Schmidt and Elizabeth Lower-Basch, well-regarded welfare experts at the Center for Law and Social Policy, made this case back in 2015 in a [policy report](#), writing:

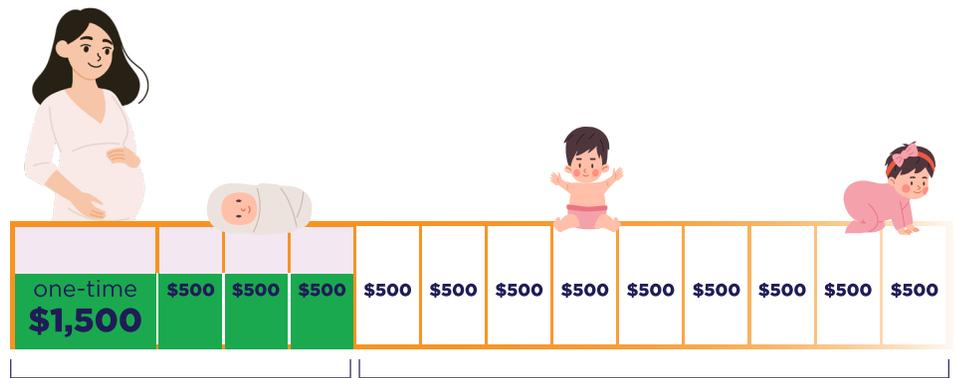
“States could also provide short-term financial assistance to low-income parents as a form of paid maternity leave... such payments could be counted as “short-term, non-recurrent benefits” and the families would not need to be counted as TANF recipients for the purposes of caseloads, time limits, or the work participation rate.”

Rx Kids utilizes TANF funds to provide four months of non-recurrent short-term benefit to pregnant moms in the City of Flint with a cash transfer of \$1,500 during pregnancy (delivered after 20 weeks gestation) and \$500 a month for three months after birth to cover the costs related to the major income loss and significant added expenses during this economically vulnerable perinatal period. TANF funds must be means tested; Rx Kids utilizes Medicaid coverage as a proxy for lower-income families. Although Rx Kids extends to twelve months of age, no state funding will be used to support families after these four payments or for non-Medicaid families (reference figure below). A public-private partnership, TANF’s component is part of a larger program funded by private philanthropy.

Research finds that the fertility rate is 1.64 births per woman and the [median](#) spacing between births is 2.5 years. Therefore, by definition Rx Kids support cannot be used in a recurrent, long-term manner.

**“Rx Kids provides a real chance at a future for me and my children.”**

TEAGAN,  
Rx KIDS MOM

TANF supports the first four cash prescriptions for lower-income moms and newborns.

Other funding supports the remaining cash prescriptions for non-lower income moms and babies and ALL infants until 12 months of age.

Families receiving short-term economic support through the perinatal Rx Kids TANF NRST also must indicate that they have need. Rx Kids applicants do this by answering “yes/no” to the following question included in the Rx Kids application.

- Have you or your family had trouble paying for the costs of pregnancy or bringing a new baby home, like:
  - Maternity or clothes
  - Diapers or diapering supplies
  - Healthy foods, baby formula, or nursing supplies
  - Accessing prenatal or pediatric healthcare
  - Cribs, car seats, and similar
  - Covering the ordinary costs of your household due to pregnancy or the new baby

To represent all this, the State of Michigan used the following language about Rx Kids in its TANF State Plan submitted to the U.S. Administration of Children and Families:

- Flint Rx Kids Payments– Non-recurrent, short-term (NRST) payments made to eligible pregnant individuals before and after the



baby is delivered. These payments fall under the first purpose of TANF, to help ensure that newborn children can be cared for in their own home. To be eligible for this program the group must live in Flint and be receiving Medicaid. The group’s income cannot exceed 400% of the federal poverty limit for a resident of Flint to receive Medicaid. Funding is appropriated through the state legislature for this prenatal and infant allowance pilot program. These payments are distributed by the GiveDirectly organization. Medicaid information is collected and reviewed to determine eligibility.



# Protecting Rx Kids Cash Prescriptions from Eligibility Determination for Other Public Benefits

Rx Kids cash prescriptions are made as a non-taxable gift to beneficiaries by [GiveDirectly](#), an internationally-recognized nonprofit that lets donors send money directly to the world's poorest, no strings attached. Since 2017, the organization has committed more than \$280 million to low-income Americans, reaching more than 220,000 families across nine programs in 51 U.S. states and territories. As the program administrator for RX Kids, GiveDirectly builds and manages the end-to-end recipient process needed to deliver cash prescriptions to mothers and babies. This includes application, eligibility verification, public benefits counseling, enrollment, payment, and customer service. Recipient safeguarding and anti-fraud measures are also included at every stage to protect funds and recipients.

A major challenge in developing a successful child cash prescription program is protecting other public benefits that are based on income tests and might be reduced in response to the new program. The goal is to make it so families do not lose access to other public benefits including food assistance (Supplemental Nutrition Assistance Program, or SNAP), health insurance (Medicaid), TANF benefits, or child cash subsidies. If these public benefits and others are lost, it dilutes the positive impact of Rx Kids cash prescriptions and may negatively impact the family afterward. The Rx Kids team has collaborated with the Michigan Department of Health and Human Services to protect other public benefits to the greatest extent possible using the following mechanisms:

**Income taxes:** The Rx Kids payments are officially distributed as gifts by the nonprofit partner GiveDirectly. The IRS gift limit is \$18,000

for 2024. The total payment amount that Rx Kids families will receive is \$7,500, well under the gift tax exclusion limit. As gifts below this limit, the cash prescriptions are not subject to income taxes.

**Medicaid:** the Affordable Care Act established “MAGI” and “non-MAGI” population groups when determining income for Medicaid and Medical assistance eligibility determination. MAGI refers to Modified Adjusted Gross Income and is the method for which the government determines income eligibility for Medicaid for MAGI populations.

**MAGI populations include:** pregnant women, dependent children under 19 years of age, parents/caretaker relatives of children under 19, and singles/childless couples ages 19-64 that are not entitled to or enrolled in Medicare. Non-MAGI populations include those 65 years or older, and people with disabilities who have Medicare and those who are blind with Medicare.

Importantly, the MAGI calculation only includes taxable income, as laid out on the [Medicaid website](#). Since gifts are excluded from taxable income, cash transfers in the form of gifts are exempt from income calculations for MAGI populations enrolling in Medical Assistance or Medicaid. For Non-MAGI populations, the cash prescriptions are not exempt from income calculations, but the State of Michigan requested a waiver to exclude them from income calculations. However, since all Rx Kids beneficiaries are pregnant women, dependent children under 19 years of age, or parents/caretaker relatives of children under 19, they are virtually all MAGI population groups.



**TANF benefits:** The TANF block grant gives states flexibility in income calculations for the purposes of TANF eligibility and benefit levels. States can exclude Rx Kids benefits from TANF income calculations and from time limits and work requirements in their TANF state plan.

**Food Assistance (SNAP):** Among state agency options allowed under 7 CFR 273.9(c)(19), any type of income that the State agency excludes when determining eligibility or benefits for TANF cash assistance or Medicaid may be excluded as income for SNAP determinations. State agencies must exclude the same amount of income for SNAP purposes as they do for TANF or Medicaid purposes. State agencies that choose to exclude income under this provision must specify in its State plan that it has selected this option and provide a description of the resources that are being excluded. However, it is important to note that under [7 CFR 273.9 \(c\) \(19\) \(iv\)](#) payments solely from a government source, even if they flow through an intermediary, may not be excluded even if these funds are excluded for TANF eligibility. Consequently, State

must fund their Rx Kids programs using a mix of private and public funds. Thus, through these two mechanisms— allowing income excluded from TANF eligibility determinations to be excluded for SNAP determinations and blended private/ public funding of Rx Kids— SNAP benefits are not impacted by participation in Rx Kids.

Because Rx Kids cash prescriptions are funded with a mix of government and private philanthropic funds, and because they are excluded from income calculation for TANF benefits as part of the TANF state plan, they are excluded from SNAP income calculations and do not affect SNAP benefits or eligibility.

Rx Kids does not impact WIC eligibility for families receiving SNAP and Medicaid since these families are categorically eligible for WIC and are not subject to income eligibility requirements. Families on WIC who are not receiving SNAP or Medicaid may need to report Rx Kids payments in income calculations. Programs should advise families who are of WIC to apply for SNAP or Medicaid in order to maintain eligibility.

**Housing Assistance:** Regulations from the United States Department of Housing and Urban Development (HUD) define what is included and excluded as income for eligibility for the Housing Choice Voucher (HCV) and public housing programs. The rules state that annual income does not include “Nonrecurring income, which is income that will not be repeated in the coming year based on information provided by the [family](#).”(24 CFR 5.609(b)(24) Since Rx Kids is a one year program, the cash prescriptions provided to families are not included as “annual income.” Accordingly, the Flint Housing Commission determined that because “The duration of the Rx Kids program is only from pregnancy to one-year postpartum, the cash allowances are not permanent and therefore fall under the income exclusions category.”

**Child Care:** The Child Care and Development Fund (CCDF) is a federal block grant provided to states which gives states flexibility in income calculations

for the purposes of child care assistance eligibility and benefits levels. Thus states can exclude Rx Kids benefits from income calculations in their CCDF state plan.

**Supplemental Security Income (SSI):** Because Rx Kids cash prescriptions are made through a mix of State TANF block grant dollars that flow from the federal government and private philanthropic support and the program is administered by a nonprofit, they cannot be excluded from SSI eligibility determination or benefits calculation. This is also true for Medicaid coverage that is obtained through SSI. Families receiving SSI are advised to discuss the program with their state human services caseworker and make an informed decision about whether to accept the payment.

All families receive a letter from GiveDirectly with information on these benefits protections and other information at the time of enrollment.

## A Prescription for Health, Hope, and Opportunity

Rx Kids is a unique, evidence-based program to support families during a critical window of economic insecurity and child development. The use of TANF block grant funds offers a sustainable revenue stream to support lower-income families in this innovative way. With additional philanthropic and state or federal support, such a program could be implemented in other states. Indeed, the goal of Rx Kids was never to stop with Flint, but to expand the program across Michigan (which it is already poised to do) and the nation. Through this, a healthier nation in which all infants are protected by a cash prescription is realistically achievable.

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*This playbook was written in close collaboration with the State of Michigan Department of Health and Human Services TANF Policy Director, Nicole Denson-Sogbaka. The authors thank Amanda Nothaft for invaluable technical support.*



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