

**Board of Directors**

For Immediate Release

Tuesday, July 19, 2005

Michelle Bazie Contact  
202-408-1080, bazie@cbpp.org

## WHAT DOES THE SAFETY NET ACCOMPLISH? New Series of Reports Examines Research Findings

Public benefit programs cut the number of poor Americans nearly in half (from 58 million to 31 million) and dramatically reduce the severity of poverty for those who remain poor, while providing health coverage to tens of millions of people who otherwise would be uninsured, according to a new report from the Center on Budget and Policy Priorities.

The report is one of a series the Center is issuing that reviews recent research on the effects of public benefit programs, primarily "safety-net" programs aimed at low-income families and individuals. The reports, based on a broad range of government and non-government studies, are particularly relevant today as policymakers begin to consider possible budget reductions in some of these programs in September, when Congress is charged with producing "budget reconciliation" legislation.

The first set of reports, issued today, cover Medicaid and the State Children's Health Insurance Program (SCHIP), food and nutrition programs, the Supplemental Security Income Program for the elderly and disabled poor, and the Earned Income Tax Credit. Each report includes state-by-state data on the number of people assisted by that program. A separate Center report issued today examines the combined impact of the nation's system of public benefit programs. Forthcoming reports will cover areas such as housing, child care, and child support enforcement.

### Poverty Cut Nearly in Half by Public Benefit Programs

Research and data show that the U.S. system of public benefits — including programs targeted on low-income Americans (such as food stamps, Medicaid, and the EITC) as well as universal social insurance programs (such as Social Security, Medicare, and Unemployment Insurance) — have helped make millions of Americans healthier and more economically secure.

When people experience crises such as job loss or disability, these programs can cushion them against deep poverty. When people have low earnings or little or no health insurance, these programs can supplement their incomes and provide health care coverage. And when people reach retirement age, these programs provide retirement and health security.

Taken together, these programs lift 27 million people out of poverty. The programs also reduce the severity of poverty for those who remain poor; they lift the average family income of those who are poor from 29 percent of the poverty line to 57 percent of the poverty line. Through Medicare, Medicaid, and SCHIP, the programs also provide health insurance to tens of millions of people who otherwise would lack health insurance.

## Medicaid and SCHIP: Improving Health, Saving Lives

Medicaid provides health care and long-term care to low-income families and individuals, including children, parents, the elderly, and people with disabilities. SCHIP supplements Medicaid by providing health care to children with family incomes modestly above the Medicaid limits.

The two programs combined provide health coverage to more than 55 million Americans during the course of a year, including many of the nation's most vulnerable citizens. About 70 percent of Medicaid expenditures go for health care for low-income senior citizens and people with disabilities.

Without Medicaid, the number of uninsured Americans — currently 45 million — would be much higher. Many Medicaid beneficiaries either could not afford private coverage or could not obtain private coverage at any price (such as many people who have HIV/AIDS or permanent disabilities).

Medicaid is especially important at times when the need for health coverage increases, such as the past several years. As the nation's economy weakened and employer-sponsored health insurance eroded, Medicaid (and SCHIP) enrollment expanded in response, enabling many low-income people who lost employer-sponsored coverage to maintain health insurance.

An extensive body of research demonstrates that by making preventive and primary care more available, and by protecting against and providing care for disease, Medicaid has improved the health of millions of Americans. For example, expansions of Medicaid eligibility for low-income children have reduced childhood deaths. Expansions of coverage for low-income pregnant women have reduced infant mortality, and the availability of Medicaid has also increased the degree to which low-income women receive preventive screening for breast cancer and cervical cancer. Among adults with chronic diseases (such as heart disease, high blood pressure, and diabetes), people covered by Medicaid are more likely to obtain needed medication than people who are uninsured.

Improvements in health, in turn, can produce other benefits, such as better educational opportunities for disadvantaged children. Children with Medicaid coverage have been found to miss fewer school days due to sickness than uninsured children.

Moreover, Medicaid provides health care at a lower per-beneficiary cost than private health insurance, and Medicaid's costs per beneficiary have been rising more slowly in recent years than the per beneficiary costs of private insurance.

## Food and Nutrition Programs: Reducing Hunger, Bolstering Nutrition

Federal food and nutrition programs — which include the Food Stamp Program, WIC (the Special Supplemental Program for Women, Infants, and Children), and the school lunch and breakfast programs — have largely eliminated severe hunger in the United States, which was a serious problem as recently as the 1960s.

**Food stamps.** Food stamp benefits, which are provided in the form of an electronic debit card that can be used only to purchase food, average about \$1 per person per meal. Yet even these

---

modest amounts are sufficient to cause significant increases in household food expenditures and thus in the nutrients available to low-income people.

For millions of low-income working families, food stamps are essential to making ends meet each month. The income of a family of four headed by a full-time, minimum-wage worker falls far below the poverty line unless the family receives food stamps and the Earned Income Tax Credit.

Food stamps also help protect households and the economy from risk. If a parent loses her job, food stamps can help her protect her children from going without sufficient food until she is able to improve her circumstances. The program also responds quickly and automatically to increased need during slow economic periods, helping maintain overall demand for food by providing benefits to a larger number of families.

**WIC and the school meals programs.** WIC provides low-income pregnant and postpartum women and their young children with vouchers that may be used only for specific nutrient-rich foods, as well as with nutrition education. The school lunch and school breakfast programs provide free and reduced-price meals to schoolchildren from low-income families.

A large body of research has found that WIC contributes to healthier births, in part by reducing substantially the incidence of low-weight births. That improves health and child development, which, in turn, reduces health care costs for both the government and the private sector. A review of the research on WIC's effects conducted in the 1990s by the Government Accountability Office (GAO) concluded that because of WIC's effects in producing healthier births, each \$1 spent on WIC for pregnant women generated \$3.50 in health-care savings over 18 years.

WIC also has been found to increase children's intake of key nutrients such as iron and thereby to reduce child anemia. In addition, the school meals programs have been shown to improve children's nutritional status significantly, and eating breakfast has been found to have a positive impact on a child's cognitive development and school performance.

### **Supplemental Security Income: Supporting People with Disabilities and the Elderly Poor**

SSI improves the quality of life for the elderly and individuals with disabilities who have little income or assets by providing financial support, incentives to attempt to work, and health care through Medicaid. (Receiving SSI generally makes a person eligible for Medicaid.)

With SSI's help, many of these people have been able to avert destitution and institutional care. For example, SSI assists nearly three million people with severe mental impairments, enabling many of them to live independently. SSI also helps low-income parents meet the added financial costs of caring for a child with a serious disability.

SSI benefits alone are not enough to lift someone above the poverty line, but when combined with other benefits (such as food stamps), they lifted more than two million people out of poverty in 2002. For millions of others, SSI benefits reduce the depth of poverty.

## **The Earned Income Tax Credit: Boosting Employment, Aiding the Working Poor**

The EITC reduces tax burdens and supplements wages for working families with children with incomes up to approximately \$37,000. Also, some childless workers with very low incomes are eligible for a much more limited EITC.

One of the EITC's main achievements is rewarding low-wage work. Studies have shown that the EITC has a powerful effect in substantially increasing the proportion of single mothers who work and thus in reducing the number of people receiving cash welfare.

Recent research also documents another powerful effect of the EITC: reducing poverty. The EITC lifts more children out of poverty than any other single program or category of programs. In 2002, the EITC lifted 4.9 million people out of poverty, including 2.7 million children.

Surveys show that while many families use their EITC use to pay for necessities like housing and food, some families use it for purchases that can help them maintain or improve their standard of living, such as repairing a car needed to get to work, making home repairs, and paying for education or job training.

### **Programs Making Progress Toward Widely Shared Goals**

“Evidence is strong and persuasive that the low-income programs, while not perfect, have made major progress toward goals shared by Americans across the political spectrum, such as preventing hunger and destitution, protecting children’s health, and rewarding low-paid work,” said Robert Greenstein, executive director of the Center. “Each of these programs can be improved, and we propose some improvements in our new reports, but that shouldn’t blind us to these programs’ real accomplishments. Without these programs, ours would be a harsher and less compassionate society with more extreme hardship, especially among children and people who are elderly or have disabilities.”

The reports can be found at <http://www.cbpp.org/pubs/accomplishments.htm>

# # #

**The Center on Budget and Policy Priorities** is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. It is supported primarily by foundation grants.