

Revised August 16, 2000

EXECUTIVE SUMMARY

HEALTH CARE AFTER WELFARE: An Update of Findings from State-Level Leaver Studies¹

Overview

During the debate over the 1996 federal welfare law, a bipartisan consensus emerged that low-income families with children should not lose health care coverage as a result of changes in welfare policies. Congress therefore included a provision in the welfare law that “delinked” Medicaid and welfare eligibility, creating the opportunity for families to qualify for Medicaid regardless of their welfare status. Nevertheless, a growing body of evidence suggests that welfare policy changes in recent years have caused a loss of Medicaid among eligible low-income families with children.

In this analysis, the Center has compiled the data available from more than 25 state “leaver” studies (which track how former welfare recipients are faring) conducted in the late 1990s on the health insurance status of parents and children after leaving welfare. The analysis shows that in most states with relevant studies, a significant proportion of both parents and children lose Medicaid after their families leave welfare. They also show that families leaving welfare have very limited access to private coverage. As a result, many of the children and even more of the parents in families leaving welfare become uninsured.

Major Findings from State-Level Leaver Studies

Because the state-level leaver studies vary greatly in design (for example, in the amount of time between families’ departure from welfare and the point at which the studies examined the

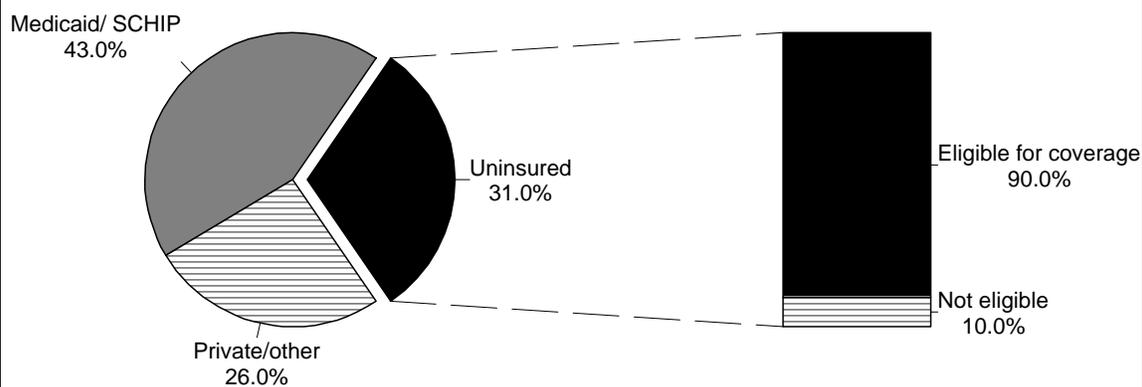
families’ insurance status), it is difficult to use these studies to compare the performance of individual states. As a group, however, the studies indicate that a significant proportion of children and an even larger proportion of their parents lose Medicaid after leaving welfare even though they generally remain eligible for coverage.

- *The large majority of children in families leaving welfare remain eligible for Medicaid or SCHIP, as do most of their parents.*

The state-level leaver studies suggest that the vast majority of children in families leaving welfare are likely to remain eligible for coverage based on their families’ income. Most states now extend coverage to children in families with incomes up to 200 percent of the poverty line or higher. Families leaving welfare usually have incomes well below this level.

For example, in Cuyahoga County, Ohio (which includes Cleveland), 83 percent of the families that left welfare continued to have incomes below 150 percent of the poverty line, the income limit for the state’s Medicaid program for children at the time the state’s leaver study was conducted. Similarly, in Colorado, 90 percent of children who were uninsured some two years after leaving welfare remained eligible for health coverage and could have been enrolled in Medicaid or the state’s separate SCHIP program. Had the eligible children in Colorado remained on Medicaid or received coverage through the state’s SCHIP

Children's Health Insurance Status after Leaving Welfare in Colorado



NOTE: Based on health insurance status of Colorado children roughly two years after their departure from welfare in the summer of 1997.

SOURCE: *Evaluation of the Colorado Works Program: First Annual Report*, November 1999.

program, only two percent of children in families that left welfare would have become uninsured. As it was, nearly one in three — 31 percent — were uninsured.

Parents are more likely than children to lose eligibility for ongoing coverage after leaving welfare. But state-level leaver studies indicate that between half and three-fourths of parents are employed shortly after leaving the welfare rolls and thus are likely to be eligible, at a minimum, for up to one year of transitional Medicaid coverage (called Transitional Medical Assistance). Although employment is the major reason that parents leave welfare, parents who leave for other reasons also frequently remain eligible for Medicaid because they continue to meet a state's income and resource tests for coverage.

- *In most states, roughly half of parents in families that have left welfare and more than one-third of children in those families lose Medicaid.*

Despite the fact that most parents and the vast majority of children remain eligible for coverage after leaving welfare, large proportions of both groups lose Medicaid. It is common for roughly half or more of parents to lose Medicaid in the months after leaving welfare. Children in families that have left welfare are less likely than their parents to lose Medicaid, but in most states for which data are available, more than one-third of these children lose Medicaid.

In some states, the problem is even more severe. For example, 59 percent of parents in Cuyahoga County, Ohio lost Medicaid after leaving welfare. In New York, 65 percent of children lost Medicaid after they left welfare. In Mississippi, 56 percent of children lost coverage.

Table 1: Medicaid Enrollment of Children and Parents After Leaving Welfare
(Based on state-level leaver studies)

| State | Medicaid enrollment after leaving welfare | | Date of departure from welfare | Lapse of time since leaving welfare |
|-----------------------------------|---|---|-----------------------------------|-------------------------------------|
| | Children (% enrolled) | Parents (% enrolled) | | |
| Colorado* | 60% | 54% | 1 st quarter of 1999 | 3 months |
| Illinois | 59% (Statewide) 49% (Cook County) 74% (Downstate) | 54% (Statewide) 45% (Cook County) 68% (Downstate) | December 1997 to June 1998 | 5 to 11 months |
| Mississippi | 44% | Not available | January 1998 to April 1998 | 3 to 8 months |
| Missouri (December 1998) | 38% | 19% | Any point in 1997 or January 1998 | up to 1 year |
| New Mexico | 62% | Not available | Not specified | 1 to 18 months |
| New York | 35% | 32% | 1 st quarter of 1997 | 12 to 14 months |
| North Carolina (time limit study) | 86% | 85% | July 1998 | appx. 4 months |
| Ohio, Cuyahoga County | 69% | 59% | October 1998 to March 1999 | 5 months |
| Oregon | Not available | 51% | 1 st quarter of 1998 | 12 to 18 months |
| Pennsylvania | 74% | 44% | February 1998 to November 1998 | 6 months or more |
| South Carolina | 81% | 55% | April 1998 to September 1998 | 8 to 16 months |
| Washington | 77% | 53% | October 1998 | 6 to 8 months |

Note: It may not be appropriate to compare state performance based on the information in this table because study methodology can vary dramatically across states. In some states, data may not be representative of the experiences of all families leaving welfare. In states with more than one leaver study, the data in this table are based on the study with the most recent data, and the study's date of publication is listed next to the state.

* The Colorado information in this table is based on the administrative data in the state's leaver study that considered Medicaid enrollment after leaving welfare. The survey component of the study also includes information on the Medicaid enrollment of former welfare recipients, but the data are not as current.

| Table 2: Uninsured Status of Children and Parents After Leaving Welfare (Based on state-level leaver studies) | | | | |
|---|---|---|--|--|
| State | Uninsured after leaving welfare | | Date of families departure from welfare | Lapse of time since leaving welfare |
| | Children | Parents | | |
| Colorado | 31.0% | 46.0% | July 1997-September 1997 | appx. 24 months |
| Connecticut (time limit study) | 6.0% or less | 6.0% or less | Late 1997 | appx.6 months |
| Florida (December 1999) | 30.0% | 51.4% | October 1996-October 1998 | 1 to 28 months |
| Florida, Escambia County (April 1999, time limit study) | Not available | 21.0% | November 1996-May 1997 | 6 months |
| Georgia (December 1999, study 1) | 22.0% | Not available | Summer 1999 | appx. up to 3 months |
| Illinois | 25.0% (Statewide) 31% (Cook County) 16% (Downstate) | 31.0% (Statewide) 35% (Cook County) 25% (Downstate) | December 1997-June 1998 | 5 to 11 months |
| Indiana | 34.9% | 54.0% | Not specified | 1 to 24 months |
| Mississippi | 46% or more | Not available | January 1998-April 1998 | 3 to 8 months |
| New Jersey | 25.0% | 27.0% | Not specified | 8 to 26 months |
| New Mexico | 26.4% | Not available | Not specified | 1 to 18 months |
| North Carolina (time limit study) | 8.0% | Not available | July 1998 | appx. 4 months |
| Cuyahoga County, Ohio | 16.0% | 24.0% | October 1998-March 1999 | 5 months |
| Oregon | Not available | 24.0% | 1 st quarter of 1998 | 12 to 18 months |
| Pennsylvania | 20.0% | 60.0% | February 1998-November 1998 | 6 months or more |
| South Carolina | 11.3% | 31.5% | April 1998-September 1998 | 8 to 16 months |
| Washington | 13.0% | 26.0% | October 1998 | 6 to 8 months |

Note: It may not be appropriate to compare state performance based on the information in this table because study methodology can vary dramatically across states. In some states, data may not be representative of the experiences of all families leaving welfare. In states with more than one leaver study, the data in this table are based on the study with the most recent data and the study's date of publication is listed next to the state.

- ***Families that lose Medicaid after they leave welfare are at high risk of becoming uninsured because they have limited access to private coverage.***

Only a minority of families leaving welfare are able to secure private coverage. It is common for fewer than one in six parents and children in families leaving welfare to be enrolled in private coverage. Even among families that have left welfare for work, it is typical for fewer than half even to be offered the opportunity to purchase coverage through their employers, and those who are offered coverage cannot always afford to take advantage of it. For example, only a little more than a third (36 percent) of working parents in Ohio had access to coverage through their employers, and of these only half “took up” the coverage. As a result of their limited access to affordable, employer-based coverage, families that lose out on Medicaid are at high risk of becoming uninsured.

In a substantial majority of the states covered by the leaver studies, more than one-fifth of children were uninsured in the months after leaving welfare. For instance, one-fifth of children in Georgia and one-fourth of children in Illinois and New Jersey were uninsured after leaving welfare. The proportions were higher in some states: in Indiana, 35 percent of children were uninsured after leaving welfare, as were 46 percent of children in Mississippi.

In many states, close to half of parents were uninsured after leaving welfare, and in nearly all states, about one-quarter or more of parents were uninsured. In Colorado and Florida, for example, the proportions of uninsured parents were 46 percent and 51 percent, respectively. In Pennsylvania, three-fifths of parents who left welfare ended up uninsured.

- ***Families are more likely to have unmet medical needs after leaving welfare.***

Six of the state-level leaver studies specifically investigated the impact of leaving welfare on families’ ability to secure needed medical care. All such studies found that families’ unmet medical needs grew after leaving welfare.

In Illinois, for example, 26 percent of families reported unmet medical needs after leaving welfare, compared to 18 percent of families before leaving welfare. In Colorado, 23 percent of families reported unmet medical needs after leaving welfare, compared to 7 percent of families before leaving welfare.

- ***A significant minority of families are not aware that medical benefits may continue after loss of welfare.***

The state-level leaver studies do not provide much information about *why* eligible families lose health coverage. Eight of the studies, however, examined the extent to which families were aware of their ongoing eligibility for Medicaid after leaving welfare. These studies found that a significant minority of parents — between 13 percent and 40 percent — were not aware they could get Medicaid for their children after leaving welfare. Even larger proportions of parents — in Florida, more than half — were unaware they might be able to get Medicaid coverage for themselves after leaving welfare.

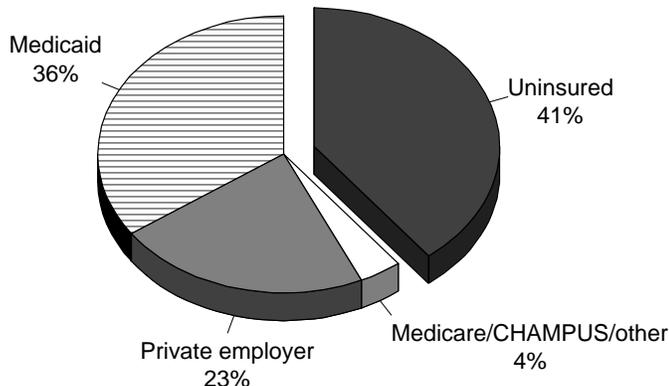
Other Research

The findings from the state-level leaver studies are consistent with other research that indicates welfare reform has caused families to lose out on the Medicaid coverage for which they are eligible, despite efforts of national policymakers to prevent this outcome. The key research addressing the issue includes the following:

- Several Urban Institute reports have analyzed the effect of welfare reform

More Than 2 of 5 Single Mothers Become Uninsured After Leaving Welfare

Health Insurance Status of Single Mothers Who Have Left Welfare



Source: Bowen Garret and John Holahan, *Health Insurance Coverage After Welfare*, Urban Institute. Note: Based on 1997 National Survey of American Families. Figures do not add to 100% because a small number of parents have multiple sources of coverage.

on Medicaid enrollment. One study of families that stopped receiving welfare between 1995 and 1997 found that half of the children in these families lost their Medicaid coverage. Since these children had only limited access to coverage through their parents' employers, a quarter of them ended up uninsured. An even larger share of parents who left welfare between 1995 and 1997 lost Medicaid (64 percent) and ended up uninsured (41 percent).² Urban Institute researchers also have documented that Medicaid enrollment among families with children declined for the first time in nearly a decade between fiscal years 1995 and 1996 and then fell again between fiscal years 1996 and 1997.³

In a separate analysis, the Urban Institute reported that the decline in Medicaid caseloads in recent years cannot be explained exclusively by the strong economy and other factors. To the contrary, roughly half of the decline is directly attributable to welfare reform policies.⁴

- An earlier report by the Center on Budget and Policy Priorities found that no progress was made in insuring more children between 1996 and 1998 despite strong economic growth, the lowest unemployment rate in a quarter century, continued expansions in low-income children's eligibility for publicly-funded coverage, and increases in employer-based coverage for low-income children. The failure to reduce the number of uninsured low-income children resulted largely from a substantial decline in the rate at which poor children are enrolled in Medicaid.⁵
- Several recent Families USA studies have addressed the impact of the welfare law on Medicaid coverage for families with children. The most recent such study focused on the effect of welfare reform on parents' enrollment in Medicaid. It found that among the 15 states with the largest number of uninsured low-income adults, the number of parents on Medicaid fell by more than a million.

It dropped from 3.5 million in January 1996 to 2.6 million in December 1999, a decline of 27 percent. The study concludes that states' "failure to ensure that families moving from welfare to work retain Medicaid coverage contributes to growing numbers of parents without health insurance."⁶

There is considerable variation in the nature of the research on the impact of welfare reform on families' health insurance status. Despite the variation, the research consistently indicates that welfare policy changes have had an adverse effect in recent years on the enrollment of children and parents in health coverage.

Policy Implications and Conclusion

The findings from the state-level leaver studies raise serious questions about states' success at delinking welfare and Medicaid eligibility. Even though most children and a substantial majority of parents remain eligible for Medicaid or separate state health insurance programs after leaving welfare, at least for a transitional period, significant numbers are losing Medicaid and joining the ranks of the uninsured.

Over the past year, state and national policymakers have begun taking steps to try to prevent welfare policy changes from adversely affecting families' health insurance status. In August 1999, the Health Care Financing Administration initiated a state-by-state review of state policies that are supposed to assure that families being diverted from welfare or leaving the welfare rolls receive Medicaid coverage for which they qualify. In April 2000, HCFA sent a letter to all state Medicaid directors directing them to review their records to determine whether in the period since states initiated their TANF programs, any families or children were cut off Medicaid inappropriately when they

stopped receiving welfare benefits, and if so, to restore coverage for those families and children.

In addition to correcting improper past terminations of Medicaid coverage, states have a number of tools at their disposal to help assure that families leaving welfare in the future do not lose health coverage. For example, states have significant flexibility to convert their children's health programs into family-based programs that include children and parents in low-to-moderate income families; such an approach can assure that parents need not fear losing health coverage after leaving welfare for work. Ten states have acted in the past couple of years to institute this approach, and additional states are considering it. A more modest option available to states is to treat a family's loss of welfare as a "non-event" that does not affect the family's Medicaid eligibility unless the family reports a change in its income or resources.

It is too soon to tell whether state actions, combined with HCFA's enhanced oversight, will improve health insurance outcomes. The state-level leaver studies evaluated in this paper were conducted on families that left welfare between 1996 and 1999. The studies suggest that in the absence of significant changes in state and local procedures, an unintended legacy of welfare reform may be an increase in the number of poor children and parents who lack health insurance.

Notes:

1. This executive summary was prepared by Jocelyn Guyer and John Springer of the Center on Budget and Policy Priorities. The full version of the paper, also entitled *Health Care After Welfare: An Update of Findings from State-Level Leaver Studies*, can be found on the Center's web site at www.cbpp.org.
2. Bowen Garrett and John Holahan, "Health Insurance Coverage After Welfare," *Health Affairs*, January/February 2000, Volume 19, Number 1.

3. Leighton Ku and Brian Bruen, *The Continuing Decline in Medicaid Coverage*, Urban Institute, December 1999. A recent Kaiser Commission report on Medicaid enrollment trends in 21 states suggests that a number of states may have started to reverse the decline between June 1998 and June 1999, although even the June 1999 enrollment level among the 21 states included in the report still falls below where it was in June 1997.
4. Leighton Ku and Bowen Garrett, *How Welfare Reform and Economic Factors Affected Medicaid Participation: 1984 - 1996*, Urban Institute, February 2000.
5. Jocelyn Guyer, Matthew Broaddus, and Michelle Cochran, *Missed Opportunities: Declining Medicaid Enrollment Undermines the Nation's Progress in Insuring Low-Income Children*, Center on Budget and Policy Priorities, October 21, 1999.
6. Families USA, *Go Directly to Work, Do Not Collect Health Insurance: Low-Income Parents Lose Medicaid*, June 2000.