

WELFARE LEAVERS, MEDICAID COVERAGE, AND PRIVATE HEALTH INSURANCE

Bowen Garrett and John Holahan

As the 1990s saw the nation's welfare philosophy change—from providing cash assistance to low-income families with children as an entitlement, to moving welfare recipients into the workforce—a major intent among policymakers was to ensure that individuals leaving welfare would not lose Medicaid health coverage as well. Yet Medicaid caseloads are declining, though not as rapidly as welfare caseloads (figure 1).¹ Are some welfare leavers being unintentionally and inappropriately dropped from the Medicaid program, as many observers fear? Analysis of the 1997 National Survey of America's Families (NSAF) suggests this may be true.²

Federal law guarantees to those who leave welfare because their earnings increased at least 6 months and up to 12 months of Medicaid coverage. State provisions allow even longer Medicaid eligibility for many. Yet according to the NSAF, only slightly over half the women who leave welfare are still on Medicaid or other state health insurance in the first six months after leaving, and one-third have no health insurance at all. By the time they have been off welfare for a year or more, less than one-quarter of these women are receiving Medicaid benefits and about one-half are without health insurance.

Not surprisingly, children do somewhat better, because they are more likely to be eligible for Medicaid coverage than their mothers. Of the children whose families leave welfare, almost three-quarters are still on Medicaid and only one-fifth lack health insurance six months later. Of the chil-

dren whose families have been off welfare for a year or more, however, less than half have Medicaid coverage and almost one-third are uninsured.

Medicaid Coverage for Welfare Leavers

Two federal laws are intended specifically to enable welfare leavers and their children to retain their Medicaid eligibility. The first, the 1988 Family Support Act, requires states to provide Transitional Medicaid Assistance (TMA) to families that leave welfare because of increased earnings. Families that leave welfare are eligible for TMA for six months regardless of income and for another six months unless their household incomes (after disregards for child care expenses) exceed 185 percent of the federal poverty level (FPL).³ Most former welfare recipients have household incomes below this level even if they have full-time jobs.⁴

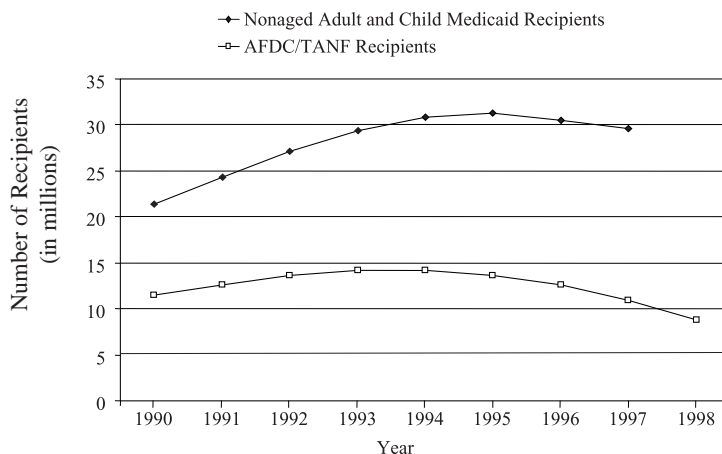
The second direct federal pathway to continued Medicaid eligibility came with the delinking of Medicaid and cash assistance under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). This is the same act that replaced Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy Families (TANF). Every state is now required to provide Medicaid coverage to all families that meet the income and family structure guidelines that governed its AFDC program on July 16, 1996, whether or not those families are now receiving cash welfare payments.

Several income-conditioned avenues to Medicaid coverage are also available to welfare leavers. Under the federal Supplemental Security Income (SSI) program, for example, low-income adults and children with qualifying disabilities can obtain Medicaid eligibility. In addition, many states allow both adults and children who meet the requirements of the Medically Needy program of that state to

About half the women who leave welfare are not on Medicaid or other state health insurance in the first six months after leaving. Are they being dropped unintentionally?

This brief is drawn from Bowen Garrett and John Holahan. "Health Insurance Coverage after Welfare." 19 (1): 175-84. Copyright 2000, published by *Health Affairs*. The People-to-People Health Foundation, Inc. Project HOPE. <http://www.projhope.org/HA>.

Figure 1
Medicaid and Welfare Caseloads



Source: Urban Institute calculations.

Note: 1998 Medicaid data not yet available.

qualify for Medicaid. States also have significant flexibility to expand coverage beyond the minimum limits specified by PRWORA.⁵

With respect to children, federal law requires states to provide Medicaid to children under age six with family incomes below 133 percent of the FPL and to older children born after September 30, 1983, with family incomes below the FPL.⁶ Most states have expanded Medicaid coverage for children beyond these minimum requirements.

Insurance Coverage of Former Welfare Recipients

The NSAF includes 1,004 women who stopped receiving welfare benefits at some point between January 1995 and the date on which they were interviewed (sometime between February and November 1997) and were not receiving welfare at the time of the interview.⁷ These are the welfare leavers discussed in this brief;⁸ they represent almost 1.4 million welfare leavers nationwide. Only 36 percent of them reported receiving Medicaid at the time of the interview (table 1). Another 23 percent had private/employer health coverage.⁹ A small group (4 percent) were covered under other public health insurance (e.g., Medicare or CHAMPUS). The rest—the largest group (41 percent)—were uninsured.

The sample of children who had

left welfare is somewhat larger, numbering 1,662 and representing about 2.9 million children nationwide. Of these children, one-half were receiving Medicaid or other state health insurance at the time of the interview, slightly over one-quarter (27 percent) had private/employer coverage, and one-quarter were uninsured.¹⁰

The terms under which welfare leavers can retain Medicaid coverage suggest that such coverage will drop as time off welfare increases. This turns out to be the case. Figures 2 and 3 group the women and children who left welfare into those who have been off welfare for less than 6 months, those who have been off between 6 and 11 months, and those who have been off for a year or more.¹¹

For the women (figure 2), Medicaid coverage drops steadily with time off welfare. Of those off welfare less than six months, for example,

over half (56 percent) have Medicaid coverage. By the time they have been off for a year or more, less than one-quarter have coverage. Private/employer coverage increases for these women after six months off welfare and then levels off at around 28 percent. The steady reduction in Medicaid coverage is matched by a steady increase in the proportion with no insurance—from 34 percent of those who have been off welfare less than six months to 49 percent of those who have been off a year or more.

Children, as before, are more likely to be covered than their mothers, but the pattern of declining coverage is similar (figure 3). At less than six months off welfare, 70 percent of children are covered by Medicaid. At a year or more, this proportion has dropped to 47 percent. The proportions of children covered by private/employer insurance are virtually the same as for their mothers. The proportion without any insurance is only 19 percent for children who have been off welfare for less than six months but rises to 29 percent for those who have been off welfare for a year or more.¹²

The Link between Health Coverage, Employment, and Income for Welfare Leavers

Of the women who left welfare, 56 percent were working at the time of the NSAF interview, slightly over half of whom had family incomes below the FPL (table 2). These women were about equally likely to be on Medicaid or other state health coverage, covered by private/employer health plans, or without health insurance. Of the 44 per-

Table 1
Health Insurance Coverage of Former Welfare Recipients (1997)

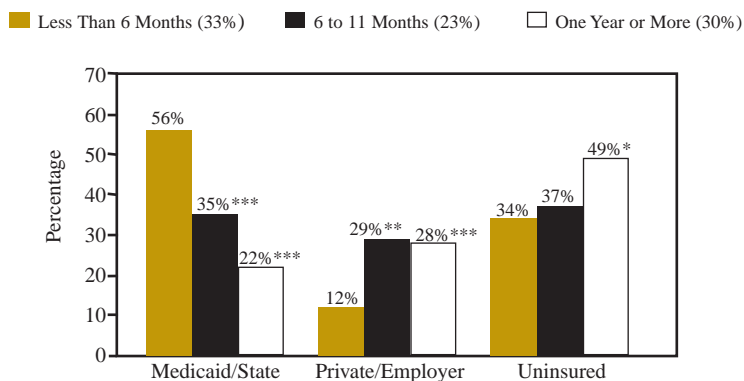
	Women (%)	Children (%)
Medicaid/State	36	50
Private/Employer	23	27
Medicare/CHAMPUS ^a /Other	4	2
Uninsured	41	25

Source: Urban Institute calculations from the 1997 National Survey of America's Families.

Note: Columns do not add to 100 percent because some individuals had multiple sources of health insurance coverage.

a. CHAMPUS is the Civilian Health and Medical Program of the Uniformed Services.

Figure 2
Health Insurance of Former Welfare Recipients,
by Number of Months since Leaving Welfare (Women) (1997)



Source: Urban Institute calculations from the 1997 National Survey of America's Families.
 Notes: Fourteen percent of women were missing information on months since leaving welfare. Significance tests are in comparison with those who left welfare less than six months ago. Rows do not add to 100 percent because some persons had multiple sources of coverage. Not included are Medicare/CHAMPUS/other because very few former welfare recipients received these forms of public health insurance coverage.
 * p < .10 ** p < .05 ***p < .01

cent without a job (unemployed or out of the labor force altogether), of whom almost two-thirds had family incomes below the FPL, a slightly higher proportion had Medicaid or other state coverage. Not surprisingly given their joblessness, a much smaller proportion had private/employer coverage (11 percent, in most cases through the spouse), and one-half (49 percent) had no coverage at all.

Of the children who left welfare, caretaker employment status has a considerable effect on the proportions covered by private/employer plans versus Medicaid but little effect on the proportions with no health insurance. For those whose caretakers have jobs, for example, 33 percent are covered by private/employer insurance, compared with 47 percent by Medicaid. For those with nonworking caretakers, 55 percent are covered by Medicaid and only 18 percent by private/employer plans. About one-quarter of both groups (24 and 28 percent, respectively) are without health insurance altogether.

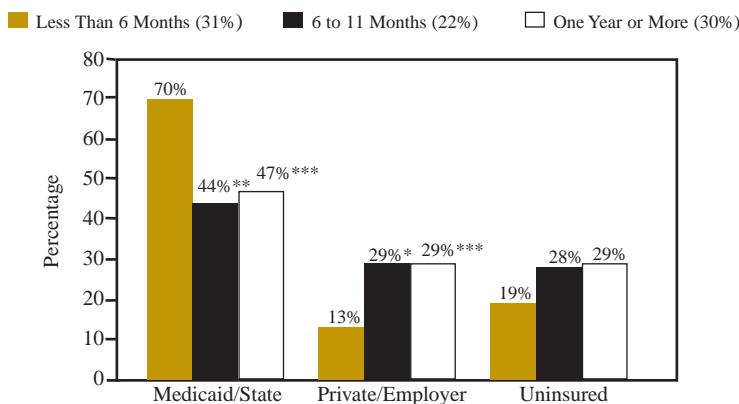
Family income also affects whether welfare leavers have health insurance and, if so, what kind of coverage they have. Figure 4 provides dramatic evidence that much smaller proportions of women who leave welfare are covered by Medicaid than would be expected, given Medicaid's eligibility provisions. For example, more than half the women who leave

welfare (57 percent) have family incomes below the FPL. Of these welfare leavers in poverty, only 44 percent have Medicaid coverage. This low proportion is not because they have alternative coverage—only 14 percent have private/employer insurance. The rest (43 percent) are uninsured. Of those between 100 percent and 200 percent of the FPL, about the same proportion is uninsured. The main coverage difference between the two groups is that a smaller proportion (27 percent) of the near-poor group has Medicaid and a higher proportion (29 percent) has employer

coverage. This is to be expected, since higher family incomes typically reflect higher wages among this population and higher-wage jobs are more likely to provide employer health coverage. Only 12 percent of welfare leavers have family incomes over 200 percent of the FPL. At these income levels, the uninsured proportion drops dramatically (from 44 percent to 20 percent) and the proportion with employer coverage rises to 49 percent. Of women with incomes over 200 percent of the FPL, 25 percent have Medicaid. Various earnings disregards, TMA, and state Medicaid expansions under waivers all likely contribute to some of the higher-income women retaining their Medicaid.¹³

For children who have left welfare (figure 5), coverage is again higher than for their mothers, but the coverage pattern is generally similar. As income rises, the proportion of children covered by Medicaid falls (from 59 percent of those below the poverty level to 36 percent of those over 200 percent of the FPL). The proportion covered by employer insurance rises steadily (from 22 percent of those in poverty to 45 percent of those over 200 percent of the FPL). The main difference between the children and their mothers is the relationship between income and lack of health insurance. For children who leave welfare, the proportion with no

Figure 3
Health Insurance of Former Welfare Recipients,
by Number of Months since Leaving Welfare (Children) (1997)



Source: Urban Institute calculations from the 1997 National Survey of America's Families.
 Notes: Seventeen percent of women were missing information on months since leaving welfare. Significance tests are in comparison with those who left welfare less than six months ago. Rows do not add to 100 percent because some persons had multiple sources of coverage. Not included are Medicare/CHAMPUS/other because very few former welfare recipients received these forms of public health insurance coverage.
 * p < .10 ** p < .05 *** p < .01

Table 2
Health Insurance Coverage of Former Welfare Recipients, by Employment Status (1997)

Employment/Status	Former Recipients (%)	Source of Coverage		
		Medicaid/State (%)	Private/Employer (%)	Uninsured (%)
Women				
Have a job/working	56	35	33	34
Not in the workforce/unemployed	44	38	11***	49**
Children ^a				
Have a job/working	62	47	33	24
Not in the workforce/unemployed	38	55	18***	28

Source: Urban Institute calculations from the 1997 National Survey of America's Families.
 Notes: Significance tests are in comparison with "have a job/working." Rows do not add to 100 percent because some persons had multiple sources of coverage. Not included are Medicare/CHAMPUS/other because very few former welfare recipients received these forms of coverage.
 a. Caretaker's employment status.
 ** p < .05 *** p < .01

health insurance actually increases as family income rises from 100 percent or less of the FPL to the 100–200 percent bracket. For those above 200 percent of the FPL, however, the proportion uninsured is cut in half, dropping to 16 percent.

Why Are Eligible Families Not Covered and Is the Problem Likely to Get Better or Worse?

Despite several ways of maintaining Medicaid eligibility, particularly for the first year after leaving welfare, large proportions of both women and children who leave welfare lack health insurance of any kind. Even women who follow the welfare-to-work objective and are employed after welfare have about equal chances of being on Medicaid, privately insured, or uninsured. Their children are more likely to be covered by Medicaid than by employer insurance; the children's chances of being uninsured are about 25 percent.

Why do so many individuals who are already known to the welfare system, most of whom are poor or near poor, lack the Medicaid coverage for which they are eligible? Several reasons are commonly cited for the overall low take-up rates for Medicaid, some combination of which is probably operating here as well.

First, at the same time that PRWORA preserved Medicaid eligibility for welfare leavers, it also made Medicaid eligibility rules much

more complex. This situation makes it more difficult to understand who is eligible—not only for the former welfare recipients themselves but also for their welfare caseworkers, who are probably their main source of information on Medicaid. Second, state administrative requirements for Medicaid coverage (such as the completion of complicated application forms and in-person interviews during working hours) place difficult burdens on newly working parents. Third, for former welfare recipients who originally acquired Medicaid coverage as part of the application process for cash assistance, having to apply individually for Medicaid may simply be too difficult. Finally, a certain stigma may be attached to Medicaid receipt that

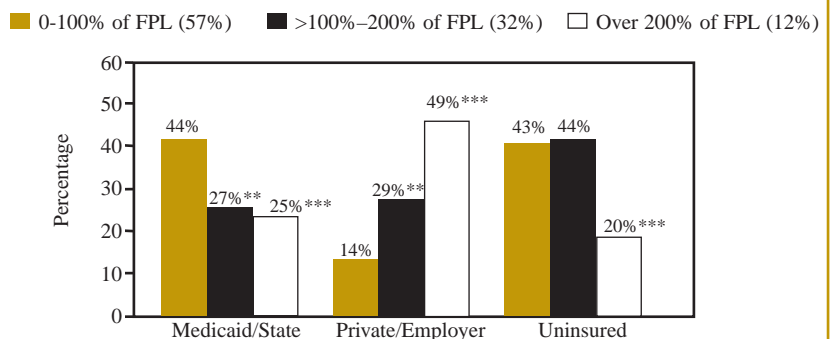
could deter some former welfare recipients from reapplying.

Will the Medicaid coverage problem for welfare leavers get better or worse in the coming years? The answer is not clear. On the one hand, the system has become increasingly difficult for both caseworkers and families to navigate. On the other hand, states have wide latitude in keeping their needy residents on Medicaid. If they respond to the publicity surrounding the Medicaid coverage issue by streamlining administrative procedures for establishing eligibility and improving outreach, coverage rates could improve. In addition, some states are beginning to take advantage of the PRWORA provisions giving states flexibility to expand Medicaid coverage to children and their parents. The next wave of the National Survey of America's Families will shed light on this crucial issue.

Notes

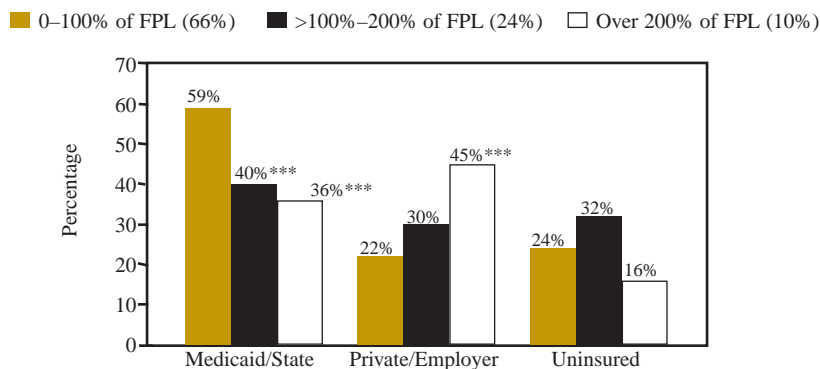
1. See Department of Health and Human Services (1999) and Ku and Bruen (1999).
2. The first wave of the NSAF collected economic, health, and social information on 44,000 households between February and November 1997. The survey oversamples households with income under 200 percent of the FPL and households in each of 13 targeted states. The NSAF provides information on a nationally representative sample of the civilian, noninstitutionalized population under age 65 and their families. A second wave of this survey was fielded in 1999. For more

Figure 4
Health Insurance of Former Welfare Recipients, by Poverty Status (Women) (1997)



Source: Urban Institute calculations from the 1997 National Survey of America's Families.
 Notes: Significance tests are in comparison with 0 to 100 percent of the FPL. Rows do not add to 100 percent because very few former welfare recipients received these forms of public health insurance coverage.
 ** p < .05 *** p < .01

Figure 5
Health Insurance of Former Welfare Recipients,
by Poverty Status (Children) (1997)



Source: Urban Institute calculations from the 1997 National Survey of America's Families.

Notes: Significance tests are in comparison with 0 to 100 percent of the FPL. Rows do not add to 100 percent because some persons had multiple sources of coverage. Not included are Medicare/CHAMPUS/other because very few former welfare recipients received these forms of public health insurance coverage.

*** $p < .01$

information and the survey methods and data reliability, see Dean Brick et al. (1999).

3. Families are also eligible for TMA if they lose welfare because their child support payment receipts have increased. PRWORA extended the states' obligation to provide TMA until the year 2001 (Kaplan 1997).

4. Loprest (1999).

5. States have the option of lowering the income limits on Medicaid eligibility to the level that applied in May 1988. But they can also raise the effective limits by increasing the amounts and types of income that are disregarded in the income calculation (Mann 1999; Guyer and Mann 1998).

6. The phase-in process for children over age 6 who meet income eligibility or Medicaid requirements is still ongoing. All such children through age 15 are now eligible.

7. Welfare benefits in this context include both AFDC and TANF, since TANF was implemented before the end of the NSAF interviewing period in some states.

8. Some of these women did not receive welfare themselves but did so on behalf of their children.

9. Only 7 percent of the group with private coverage had private coverage that was not through employment (either the woman's own or her partner's).

10. A very small amount of overlapping coverage prevents the proportions from summing to exactly 100 percent. For women who left welfare, 2.5 percent have both Medicaid and private coverage and 1.7 percent have both Medicaid and other public coverage. The overlaps

for their children are 4.3 percent and 0.5 percent, respectively.

11. Other public coverage is omitted from this and subsequent exhibits because the proportions are so small.

12. Our results are fairly similar to those in Moffitt and Slade (1997), despite differences in data source and time period. We find somewhat higher proportions of welfare leavers (women and children) lacking health insurance, suggesting that lack of health coverage among welfare leavers may have become a more serious problem than it was in the early 1990s.

13. Former welfare recipients with family incomes below 200 percent of the FPL are more likely than the general population at the same income levels to be on Medicaid, less likely to have private insurance, and more likely to be uninsured (Brennan, Holahan, and Kenney 1999; Zuckerman and Brennan 1999).

References

Brennan, Niall, John Holahan, and Genevieve Kenney. 1999. "Snapshots of America's Families: Health Insurance Coverage of Children." Washington, D.C.: The Urban Institute.

Dean Brick, Pat, Genevieve Kenney, Robin McCullough-Harlin, Shruti Rajan, Fritz Scheuren, Kevin Wang, J. Michael Brick, and Pat Cunningham. 1999. *1997 NSAF Survey Methods and Data Reliability*. Washington, D.C.: The Urban Institute. NSAF Methodology Report No. 1.

Ellwood, Marilyn. 1999. *The Medicaid Eligibility Maze: Coverage Expands, but Enrollment Problems Persist*. Washington, D.C.: The Urban Institute. *Assessing the New Federalism* Occasional Paper No. 30.

Ellwood, Marilyn, and Leighton Ku. 1998. "Welfare and Immigration Reforms: Unintended Side Effects for Medicaid." *Health Affairs* 17 (3): 137-51.

Ellwood, Marilyn, and Kimball Lewis. 1999. *On and Off Medicaid: Enrollment Patterns for California and Florida in 1995*. Washington, D.C.: The Urban Institute. *Assessing the New Federalism* Occasional Paper No. 27.

Flores-Cervantes, Ismael, J. Michael Brick, and Ralph DiGaetano. 1999. *1997 NSAF Variance Estimation*. Washington, D.C.: The Urban Institute. NSAF Methodology Report No. 4.

Guyer, Jocelyn, and Cindy Mann. 1998. "Taking the Next Step: States Can Now Take Advantage of Federal Medicaid Matching Funds to Expand Health Care Coverage to Low-Income Working Parents." Washington, D.C.: Center on Budget and Policy Priorities.

Kaplan, Jan. 1997. "Transitional Medicaid Assistance." Washington, D.C.: Welfare Information Network.

Ku, Leighton, and Brian Bruen. 1999. "The Continuing Decline in Medicaid Coverage." Washington, D.C.: The Urban Institute. *Assessing the New Federalism* Policy Brief No. A-37.

Loprest, Pamela. 1999. "How Families That Left Welfare Are Doing: A National Picture." Washington, D.C.: The Urban Institute. *Assessing the New Federalism* Policy Brief No. B-1.

Mann, Cindy. 1999. "An Analysis of the AFDC-Related Medicaid Provisions in the New Welfare Law." Washington, D.C.: Center on Budget and Policy Priorities. September 19.

Moffitt, Robert, and Eric Slade. 1997. "Health Care Coverage for Children Who Are On and Off Welfare." *The Future of Children* 7 (1): 87-98.

Parrott, Sharon. 1998. *Welfare Recipients Who Find Jobs: What Do We Know about Their Employment and Earnings?* Washington, D.C.: Center on Budget and Policy Priorities.

U.S. Department of Health and Human Services (DHHS). 1999. *Change in Welfare Caseloads As of December 1998*. Washington, D.C.: DHHS, Administration for Children and Families.

U.S. General Accounting Office (GAO). 1998. *Demographics of Nonenrolled Children Suggest State Outreach Strategies*. Pub. No. GAO/HEHS-98-93. Washington, D.C.: GAO.

Zuckerman, Stephen, and Niall Brennan. 1999. "Snapshots of America's Families: Health Insurance Coverage of Nonelderly Adults." Washington, D.C.: The Urban Institute.



THE URBAN INSTITUTE

2100 M Street, N.W.
Washington, D.C. 20037

Nonprofit Org.
U.S. Postage
PAID
Permit No. 8098
Washington, D.C.

Address Service Requested

Telephone: (202) 833-7200 ■ Fax: (202) 429-0687 ■ E-Mail: paffairs@ui.urban.org ■ Web Site: <http://www.urban.org>

This series presents findings from the National Survey of America's Families (NSAF). First administered in 1997, the NSAF is a survey of 44,461 households with and without telephones that are representative of the nation as a whole and of 13 selected states (Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin). As in all surveys, the data are subject to sampling variability and other sources of error. Additional information about the survey is available at the Urban Institute Web site: <http://www.urban.org>.

The NSAF is part of *Assessing the New Federalism*, a multiyear project to monitor and assess the devolution of social programs from the federal to the state and local levels. Alan Weil is the project director. The project analyzes changes in income support, social services, and health programs. In collaboration with Child Trends, the project studies child and family well-being.

The project has received funding from The Annie E. Casey Foundation, the W.K. Kellogg Foundation, The Robert Wood Johnson Foundation, The Henry J. Kaiser Family Foundation, The Ford Foundation, The John D. and Catherine T. MacArthur Foundation, the Charles Stewart Mott Foundation, The David and Lucile Packard Foundation, The McKnight Foundation, The Commonwealth Fund, the Stuart Foundation, the Weingart Foundation, The Fund for New Jersey, The Lynde and Harry Bradley Foundation, the Joyce Foundation, and The Rockefeller Foundation.

About the Authors

Bowen Garrett is a research associate in the Urban Institute's Health Policy Center.

John Holahan is director of the Urban Institute's Health Policy Center.

Publisher: The Urban Institute, 2100 M Street, N.W., Washington, D.C. 20037

Copyright © 2000

The views expressed are those of the authors and do not necessarily reflect those of the Urban Institute, its board, its sponsors, or other authors in the series.

Permission is granted for reproduction of this document, with attribution to the Urban Institute.

For extra copies call 202-261-5687, or visit the Urban Institute's Web site (<http://www.urban.org>) and click on "Assessing the New Federalism."