

# **Health Care After Welfare: An Update of Findings From State-Level Leaver Studies**

**Jocelyn Guyer**



August 16, 2000

The **Center on Budget and Policy Priorities**, located in Washington, D.C., is a non-profit research and policy institute that conducts research and analysis of government policies and the programs and public policy issues that affect low- and middle-income households. The Center is supported by foundations, individual contributors, and publications sales.

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## EXECUTIVE SUMMARY

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### Overview

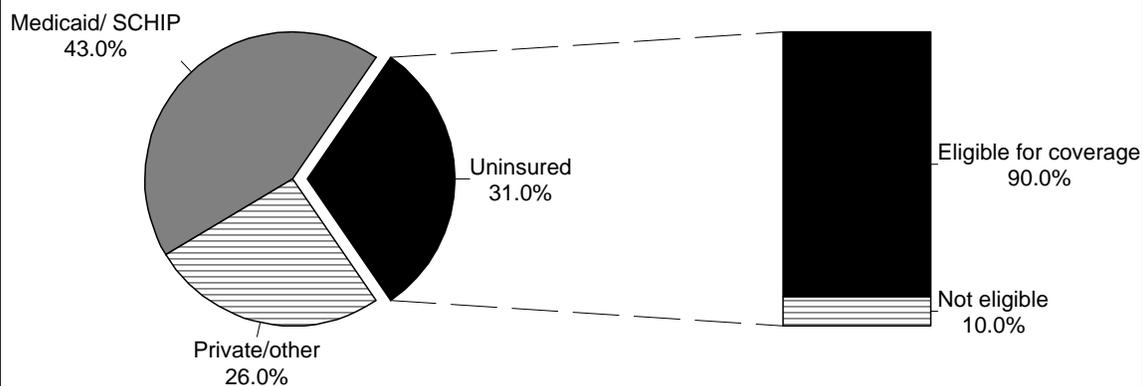
During the debate over the 1996 federal welfare law, a bipartisan consensus emerged that low-income families with children should not lose health care coverage as a result of changes in welfare policies. Congress therefore included a provision in the welfare law that “delinked” Medicaid and welfare eligibility, 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.

## 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.

- ***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 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.

**Table I: 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 <sup>st</sup> quarter of 1999	3 months
Illinois	59% (Statewide) <i>49% (Cook County)</i> <i>74% (Downstate)</i>	54% (Statewide) <i>45% (Cook County)</i> <i>68% (Downstate)</i>	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 <sup>st</sup> 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 <sup>st</sup> 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 II: 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% ( <i>Statewide</i> ) 31% ( <i>Cook County</i> ) 16% ( <i>Downstate</i> )	31.0% ( <i>Statewide</i> ) 35% ( <i>Cook County</i> ) 25% ( <i>Downstate</i> )	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 <sup>st</sup> 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.

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.

- ***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.

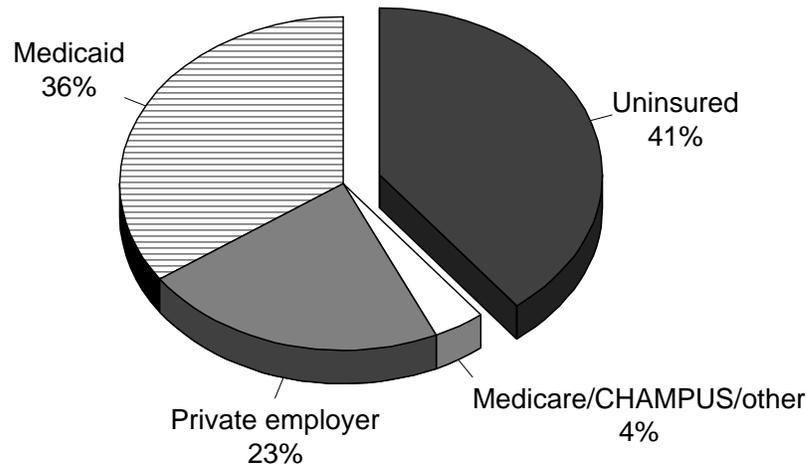
## **Other Research**

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 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

# 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.

percent) and ended up uninsured (41 percent).<sup>1</sup> 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.<sup>2</sup> 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.<sup>3</sup>

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<sup>1</sup>Bowen Garrett and John Holahan, "Health Insurance Coverage After Welfare," *Health Affairs*, January/February 2000, Volume 19, Number 1.

<sup>2</sup>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 of 1997.

<sup>3</sup>Leighton Ku and Bowen Garrett, *How Welfare Reform and Economic Factors Affected Medicaid Participation: 1984 - 1996*, Urban Institute, February 2000.

- 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.<sup>4</sup>
- 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."<sup>5</sup>

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

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<sup>4</sup>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.

<sup>5</sup>Families USA, *Go Directly to Work, Do Not Collect Health Insurance: Low-Income Parents Lose Medicaid*, June 2000.

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.



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## **I. Introduction**

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During the debate over the 1996 federal welfare law, a bi-partisan consensus emerged that low-income families with children should not lose out on health care coverage as a result of welfare reform. Despite a provision included in the welfare law designed to prevent this outcome, however, a growing body of evidence suggests that welfare reform has in fact had unintended adverse consequences for the enrollment of low-income families with children in Medicaid.

The information gathered to date on the impact of the welfare law on Medicaid enrollment has primarily painted a portrait of what has happened in the United States as a whole. Since states vary widely in their practices for operating Medicaid and TANF, these national trends may mask significant state-level variation in the effect of changes in welfare policies and procedures on Medicaid enrollment among families with children. The purpose of this paper is to compile the state-specific data available from "leaver" studies — studies on how former welfare recipients are faring in the months after leaving welfare — on the health insurance status of parents and children that have left welfare.

The paper begins in Section II with a discussion of the changes in Medicaid and welfare policy that have brought these issues to the fore. In Section III, the paper provides some information on the design of state-level leaver studies before turning in Section IV to a review of the major health-care related findings from the studies. Section V reviews other recent studies that address the impact of welfare reform on health care coverage for low-income families. The paper concludes in Section VI with a discussion of the policy implications of the studies' findings.



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## II. Policy Context

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Over the years, Congress has enacted a series of laws aimed at reducing the extent to which low-income families with children must enroll in welfare to secure health coverage. Nevertheless, until enactment of the 1996 federal welfare law, low-income families often faced the prospect that they would be able to secure health care coverage for all members only if they enrolled in welfare. When the 1996 federal welfare law was enacted, Congress broke the link between welfare and Medicaid eligibility for all members of low-income families. Over the past three to four years, however, it has become increasingly apparent that many states have not successfully implemented the requirement to delink welfare and Medicaid eligibility, causing families with children to lose out on coverage.

### Coverage for Children in Low-Income Families

Even prior to the 1996 federal welfare law, Congress had taken a number of steps to assure that *children* in low-income working families could receive health care coverage, regardless of whether their families had any current or recent connection to the welfare system. Under a series of Medicaid expansions enacted in the 1980s and 1990, states must cover children under the age of six with income below 133 percent of the poverty line, as well as older children born after September 30, 1983 with income below 100 percent of the poverty line. Even prior to the enactment of the State Children's Health Insurance Program, a number of states had expanded Medicaid for children beyond these federal minimum levels.

In 1997, the federal government established the State Children's Health Insurance Program (SCHIP). SCHIP provides states with enhanced fiscal incentives to expand Medicaid, establish a separate child health insurance program, or adopt a combination of these approaches to cover children with family incomes up to 200 percent of the poverty line or higher. As a result of regular Medicaid and SCHIP-financed expansions in coverage, roughly 95 percent of uninsured children in families with income below 200 percent of the poverty line are now income-eligible for

Medicaid or a separate SCHIP program.<sup>6</sup> Since only a tiny portion of families that leave welfare see their incomes increase to 200 percent of the poverty line or higher, this means that the overwhelming majority of children in families leaving welfare remain eligible for publicly-funded health care coverage.

### **The Delinking of Medicaid and Welfare Eligibility in the 1996 Federal Welfare Law**

Prior to enactment of the 1996 federal welfare law, low-income families often had to be on welfare to qualify for Medicaid. Although the *children* in these families had other routes to coverage, the *parents* in low-income families often lacked such alternatives.<sup>7</sup> With enactment of the 1996 federal welfare law, Congress “delinked” Medicaid and TANF eligibility for all members of low-income families with children, creating the opportunity for families to qualify for Medicaid regardless of their welfare status. States now must, at a minimum, make families with children eligible for Medicaid if the families meet their state’s AFDC income and resource tests from July of 1996, regardless of the families’ welfare status.<sup>8</sup> States also can expand coverage beyond these minimum levels, and a growing number of states have done so to assure that low-income working families can secure health insurance.<sup>9</sup>

The primary purpose of replacing the automatic eligibility link between welfare and Medicaid with this new “family coverage” category was to assure that changes in welfare policies

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<sup>6</sup>Based on CBPP calculations using data from the 1999 Current Population Survey. The 95 percent figure reflects the portion of uninsured children below 200 percent of the poverty line in 1998 who would have been eligible for coverage under the income thresholds used by states in April 2000. It does not take into account that some children who are income-eligible for coverage may be ineligible based on other factors, such as their immigration status or their families’ assets. Note also that it is possible that some of these uninsured children may have enrolled in coverage since 1998.

<sup>7</sup>Historically, the main alternative for families was the medically needy program, which is a state option. A majority of states offer medically needy coverage for families and generally set the income limit modestly above the welfare thresholds. In some states, especially California, the medically needy program has been able to enroll a large number of families with incomes just over the welfare level, including families receiving food stamps. Unlike Transitional Medical Assistance, medically needy coverage is not time-limited. The medically needy program also permits those with high medical expenses to “spend down” into eligibility, which is particularly important for elderly people with high medical or nursing home expenses.

<sup>8</sup>Families also can be required to meet the AFDC “family composition” rules from July 1996 to be eligible for Medicaid. States’ rules as of July 1996 generally limit coverage to single-parent families and a small number of two-parent families. All except a little more than a dozen states, however, have exercised an option now available to them to drop the family composition requirements. These states provide Medicaid to two-parent families on the same basis as to single-parent families.

<sup>9</sup>Since enactment of the 1996 federal welfare law, California, Connecticut, Maine, Missouri, New York, Ohio, New Jersey, Rhode Island, Wisconsin and the District of Columbia have extended family-based coverage to families with incomes up to at least 100 percent of the poverty line.

and procedures would not cause low-income families to lose out on health care coverage. For example, families that reach a TANF time limit remain eligible for Medicaid as long as they continue to meet a state's Medicaid income and resource tests, even though they may lose their welfare assistance. Similarly, families that decide not to apply for welfare out of concern over using up their lifetime limit on welfare benefits may apply for and be found eligible for Medicaid if they meet the state's income and resource standards.

### **Transitional Medical Assistance for Families Leaving Welfare for Work**

Since 1988, the federal government has required states to provide Transitional Medical Assistance to families leaving welfare for work. Under the TMA provision enacted in 1988, states must provide families losing welfare due to earnings with six months of transitional Medicaid coverage and an additional six months if the families continue to have income, after child care expenses, that is below 185 percent of the poverty line.<sup>10</sup> When Medicaid eligibility was delinked from welfare in the 1996 welfare law, Congress stressed it wanted to continue assuring that families did not face the prospect of immediately losing their health coverage when they left welfare for work. In light of the delinking of welfare and Medicaid eligibility, however, families now qualify for up to 12 months of TMA when they lose eligibility for regular Medicaid coverage due to an increase in earnings (instead of qualifying for TMA when they cease receiving welfare due to an increase in earnings).<sup>11</sup>

As a result of the delinking of welfare and Medicaid eligibility for families with children and the availability of TMA, the vast majority of *parents* in families that leave welfare are likely to remain eligible for Medicaid at least for a transitional period. Due to SCHIP and special Medicaid rules for children, their children are even more likely to remain eligible for coverage after leaving welfare. Children in families that have left welfare are likely to be eligible for coverage on an ongoing basis, rather than merely for a transitional period.

### **Implementation Issues**

Although federal law includes a number of protections designed to assure that parents and children do not lose Medicaid when their families leave welfare, it appears that many states have not taken the steps necessary to assure that welfare policies do not lead to loss of health coverage. Many states have not revamped their systems to assure that welfare policies and procedures do not spill over to Medicaid. The two programs often remain linked through state computer

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<sup>10</sup> To be eligible for TMA, families also must have been enrolled in regular Medicaid for three of the preceding six months in most states. States have the option to drop the three-out-of-six-month requirement. See the Health Care Financing Administration, *Supporting Families in Transition: A Guide to Expanding Health Coverage in the Post-Welfare Reform World*, March 1999 (available at <http://www.hcfa.gov/medicaid/wrdl3229.htm>) for details.

<sup>11</sup> In addition, states are required to provide families with four months of TMA if they otherwise would lose their regular Medicaid due to child support income.

systems, and Medicaid-eligible families in some areas apparently are still being denied or terminated from Medicaid based on welfare, rather than Medicaid, rules. In addition, families that may be diverted from receiving ongoing cash assistance or that do not end up receiving cash aid — because of new welfare rules that promote quick attachment to the job market — are not always provided the opportunity to apply separately for Medicaid. Moreover, families leaving welfare for work do not always receive the TMA to which they are entitled under federal law. It also appears that in some instances, families retain Medicaid after leaving welfare but are not clearly notified that they remain enrolled. As a consequence, they assume they do not have health coverage and act accordingly.

In response to a growing body of evidence (see Section V for details), policymakers at the federal and state level have become increasingly concerned about the adverse impact of changes in welfare policy and practices on families' enrollment in Medicaid. Some states have taken steps to assure that welfare policy changes do not continue causing families to lose out inappropriately on the Medicaid coverage for which they are eligible. For example, Pennsylvania, Washington, and Maryland are updating their computer systems, conducting staff training, and, in some cases, restoring Medicaid coverage to families that have been cut off Medicaid improperly in recent years.

The federal government also has taken steps over the past year to address the adverse impact of welfare reform on the enrollment of families with children in Medicaid. In August 1999, the Health Care Financing Administration launched a state-by-state review of state policies for assuring that families receive the Medicaid coverage for which they are eligible when they are diverted from welfare or after leaving the welfare rolls. More recently, the Health Care Financing Administration sent a letter to all state Medicaid directors on April 7, 2000 advising them that they must review whether any families have been improperly cut off Medicaid when leaving welfare since implementation of their TANF programs and, if so, that they must restore the families to coverage.<sup>12</sup> The letter also reviews the long-standing requirement that states maintain families' Medicaid coverage until the families are actually found ineligible for coverage based on a review the state has conducted, using information from its files to the maximum extent feasible.

At this point, it is too soon to tell whether the actions initiated by states or HCFA's enhanced oversight activities will result in improved implementation of delinking. The state-level leaver studies evaluated in this paper examined families that left welfare at some point between 1996 and 1999, a period largely preceding many of the stepped-up efforts to implement delinking. The recent spate of activity has the potential to help families leaving welfare in the future and also may restore coverage to some families that have improperly lost Medicaid in recent years.

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<sup>12</sup>Letter from Timothy M. Westmoreland to State Medicaid Directors, April 7, 2000. A copy of the letter and accompanying questions and answers are available at <http://hcfa.hhs.gov/medicaid/smd40700.htm>. For a detailed discussion of many of the issues addressed in the letter, see Liz Schott, *Issues for Consideration As States Reinstate Families That Were Improperly Terminated from Medicaid Under Welfare Reform*, Center on Budget and Policy Priorities, May 30, 2000 available at <http://www.cbpp.org/5-30-00wel.pdf>.



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### **III. A Brief Description of Leaver Study Research Methodology**

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A number of states have conducted studies on how families are faring after leaving welfare. Although these leaver studies typically focus primarily on the employment and income of families after leaving welfare, they also can provide state-specific information on the impact of leaving welfare on families' health insurance status. In many instances, the leaver studies include information on the extent to which families retain Medicaid or have other sources of health insurance coverage after leaving welfare. In some instances, they also provide information on the effect of leaving welfare on families' ability to secure needed medical care and on families' knowledge of the availability of Medicaid for families not on welfare.

At the same time, the state-level leaver studies have a number of shortcomings. They can provide information only on families that leave welfare; they cannot shed light on what has happened to the health insurance coverage of families that elect not to apply for welfare in light of TANF policies and procedures. In addition, some of the studies may be quite limited in the extent to which their findings can be generalized to welfare leavers in a state as a whole because they may be based on families leaving welfare who are not representative of all leavers in a state. Finally, the studies often cannot readily be used to compare the performance of states in assuring families remain insured after leaving welfare due to differences across states in study design. Some states with relatively strong implementation of delinking might appear from a comparison of state-specific leaver studies to be doing a worse job than their counterparts in assuring parents and children receive the Medicaid coverage for which they are eligible after leaving welfare, but that appearance may be an artifact of how such states designed their studies.

The key aspects of leaver study design that can affect how states appear to be performing and the reliability of their studies are described below.

## **Study Population and Definition of a “Leaver”**

States vary dramatically in whom they include in their leaver studies. For example, some states use a study population that includes all families that left welfare during a specified period, while others include only the subset of welfare families that were subject to TANF work requirements because they were deemed ready for employment. Similarly, the leaver studies often employ different definitions of a “leaver.” In some cases, families are included in the study only if they have left welfare and remained off for a specified period of time. More commonly, states gather information on families that have left welfare even if they subsequently return to the welfare rolls. States that include families that have returned to welfare are likely to show higher Medicaid enrollment than they would have if these families were excluded, since most of these families are automatically re-enrolled in Medicaid when they return to welfare.

## **Lapse of Time Since Departure**

The studies vary in the point at which they conduct their follow-up with families. For example, some studies provide information on families during the month after they leave welfare, while others consider families’ circumstances a year or more later. Families — and particularly the parents in low-income families — may be less likely to be eligible for Medicaid after they have been off of welfare for a longer period of time (due in part to the time-limited nature of TMA). Although, in some cases parents can qualify for regular Medicaid even when TMA is not available, in most states these parents are at greater risk of losing eligibility for coverage once they have been off welfare for a year.

## **Data Sources**

Some of the studies rely on data from states’ administrative records to determine who remains enrolled in Medicaid, while others directly survey the families that have left welfare for information on their health insurance status or use a combination of approaches. The studies based on administrative data often have the advantage of being able to provide information on the Medicaid enrollment of virtually all individuals who have left welfare.<sup>13</sup> At the same time, they cannot provide information on other sources of health coverage available to families that have left welfare, since such information is not contained in states’ administrative databases. Survey data often can provide a more complete picture of a family’s health insurance situation, but it can be difficult for states to secure survey information from a representative sample of welfare leavers or

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<sup>13</sup>States’ Medicaid administrative data cannot provide information on the Medicaid enrollment of individuals who have moved out of the state. At the same time, they will count as enrolled in Medicaid even those individuals who remain unaware of their continued Medicaid coverage. In this respect, survey data may reflect better the portion of individuals who are cognizant of their Medicaid enrollment and, therefore, able to make use of it.

to weight their results adequately to reflect the experiences of families that did not respond to the survey.<sup>14</sup>

### Response Rates

Some of the studies based on survey data had relatively low response rates, raising questions about the extent to which the findings from these studies can be generalized to the state (or, in some cases, the county) as a whole. In a recent review of leaver studies, the General Accounting Office excluded survey-based studies with response rates of less than 70 percent unless a non-response analysis of the data showed there were no important differences between families represented in the data and those missing from the data. This paper does not exclude those studies with low response rates given that, if anything, they may be likely to overstate the extent to which families leaving welfare retain Medicaid. It appears that the families that are most likely to respond to surveys may be better off than their hard-to-reach counterparts. For example, an Idaho leaver study specifically designed to evaluate whether “unreachable” families are similar in characteristics to “responders” found that the families that did not respond to an initial survey were less likely to be aware of the availability of Medicaid after welfare and also to have a weaker employment record.<sup>15</sup>

\* \* \*

The table in Appendix A provides information on the key characteristics of the leaver studies described in this report. Before evaluating an individual state’s performance based on Tables 1 through 7, readers should review the design of the state’s leaver study. Particular caution should be exercised in using Tables 1 through 7 to compare performance across states.

For purposes of this report, we reviewed all leaver studies available to the Center in the spring of 2000 with health-care related data (see Appendix B for a list of the studies reviewed for this report). The analysis in this report focuses on those leaver studies that provide disaggregated data on the enrollment of children and parents in families that have left welfare. Although the report also includes some information from studies that provide only aggregated “family-based” data on health insurance status, we do not provide extensive detail on many of the findings from these studies because they typically classify a family as enrolled in coverage even if only selected individuals within the family have coverage.

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<sup>14</sup>In addition, some states that use both survey and administrative data have found that families may slightly under-report Medicaid enrollment when responding to surveys. For example, see Debra Fogarty, Shon Krale, *A Study of Washington State TANF Leavers and TANF Recipients*, Office of Planning and Research, Economic Services Administration, Department of Health Services, March 2000. When under-reporting occurs, it may reflect the fact that some families that have left welfare were not informed or remained unaware of their continued Medicaid coverage.

<sup>15</sup>Idaho Department of Health and Welfare, Division of Welfare, *Differences Between a Surveyed Closed TAFI Case Population and Its ‘Unreachable’ Sub-Population*, Winter, 1998.



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## IV. Major Findings from State-Level Leaver Studies

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Although there are some limitations on how the leaver studies can be used, they provide an important source of state-specific information on the health insurance status of families that have left welfare. The Center has reviewed all leaver studies it could identify and obtain (as of March 2000) that include health-related information.<sup>16</sup> Based on this review, it is possible to answer some key questions about the health care coverage of families after leaving welfare.

### 1. To what extent do parents and children who leave welfare continue to receive Medicaid?

Table 1 presents the information available from the leaver studies on the extent to which children and parents remain enrolled in Medicaid after leaving welfare.

- *In most states, roughly one of every two parents in families that have left welfare — and more than one of every three children in these families — have lost Medicaid.*

In many of the states where data are available, roughly half or more of parents lose Medicaid after leaving welfare. For example, in a relatively typical state like Washington, 47 percent of parents were no longer enrolled in Medicaid some six to eight months after leaving welfare in the fall of 1998.

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<sup>16</sup>This report focuses on those leaver studies that provide disaggregated data on the health insurance status of children and parents in families that have left welfare. Although the report also includes some information from studies that provide only aggregated, “family-based” data on health insurance status, it does not provide extensive detail on many of the findings from these studies because they typically classify a family as enrolled in coverage even if only selected individuals within the family have coverage.

<b>Table 1: Medicaid Enrollment of Children and Parents After Leaving Welfare</b> <i>(Based on state-level leaver studies)</i>				
	<b>Medicaid Enrollment After Leaving Welfare</b>			
<b>State</b>	<b>Children</b>		<b>Parents</b>	
	<b>% Enrolled</b>	<b>% Not Enrolled</b>	<b>% Enrolled</b>	<b>% Not Enrolled</b>
Colorado (administrative data)	60%	40%	54%	46%
Illinois	59% (Statewide) 49% (Cook County) 74% (Downstate)	41% (Statewide) 51% (Cook County) 26% (Downstate)	54% (Statewide) 45% (Cook County) 68% (Downstate)	46% (Statewide) 55% (Cook County) 32% (Downstate)
Mississippi	44%	56%	Not available	Not available
Missouri ( <i>December 1998</i> )	38%	62%	19%	81%
New Mexico	62%	39%	Not available	Not available
New York	35%	65%	32%	68%
North Carolina ( <i>time limit study</i> )	86%	14%	85%	15%
Ohio, Cuyahoga County	69%	31%	59%	41%
Oregon	Not available	Not available	51%	49%
Pennsylvania	74%	26%	44%	56%
South Carolina	81%	19%	55%	45%
Washington	77%	23%	53%	47%

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. See Appendix A for details on the study design in each state. 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.

Children are more likely to remain enrolled in Medicaid after leaving welfare than their parents, but it is common for more than one in three to lose Medicaid. For example, more than one of three children in New Mexico (38.5 percent) are no longer enrolled in Medicaid after leaving welfare.

- ***In some states, as many as two of every three parents — and more than half of the children — have lost out on Medicaid after they left welfare.***  
In some states, the loss of Medicaid after leaving welfare is even more pronounced. For example, in Missouri, roughly eight of ten parents lost Medicaid after leaving welfare. Similarly, close to two of three children (65 percent) in New York lost Medicaid after they left welfare, as did more than one in two children (56 percent) in Mississippi and three in five children (62 percent) in Missouri.
- ***A significant portion of children and parents have lost Medicaid after leaving welfare even in those states that appear to be doing a better job than many of their counterparts.***

Even in states with the highest Medicaid enrollment levels after leaving welfare, it is common for 25 percent to 30 percent of children, and 40 percent of parents, no longer to be enrolled in Medicaid. Since virtually all children remain eligible for Medicaid after leaving welfare, as do many of their parents, it appears that eligible families may be losing out on coverage even in the states that show greater success in maintaining Medicaid enrollment.

- ***Parents are far more likely to lose Medicaid than their children.***

The studies consistently indicate that after leaving welfare, parents are more likely to lose Medicaid than their children. For example, 81 percent of children in South Carolina remained enrolled in Medicaid after leaving welfare, compared to 55 percent of parents. Similarly, in Pennsylvania, 74 percent of children remained enrolled in Medicaid compared to 44 percent of parents.

Some of the disparity in the Medicaid enrollment of children and parents after leaving welfare can be attributed to differences in the Medicaid eligibility rules for children and parents. In the first 12 months after their departure from welfare, parents who have left welfare for work are likely to be eligible for Medicaid nearly to the same extent as their children. However, these parents ultimately will lose their eligibility for Medicaid in most states after using up their time-limited TMA assistance, while their children are likely to remain eligible on an ongoing basis.<sup>17</sup> In addition, states have a significantly longer history of providing Medicaid to children regardless of their families' welfare status than of providing Medicaid to families as a whole that are not on welfare. Some of the

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<sup>17</sup>Using an option available under federal law, 13 states terminate the Medicaid coverage of non-pregnant head of households who lose their TANF assistance for failure to work. In these states, some of the disparity in children's versus parents' enrollment in Medicaid may be due to the state's decision to elect this Medicaid sanction option. Of the states listed in Table 1, only Mississippi, Missouri, and South Carolina exercise the sanction option.

differences in Medicaid enrollment between parents and children may be associated with implementation issues.

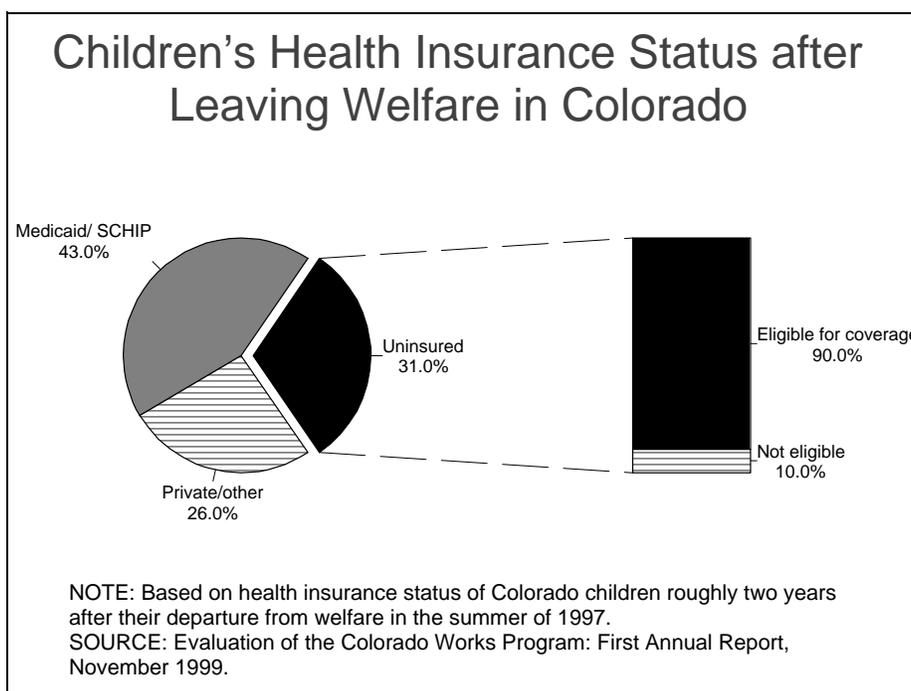
## 2. Are the parents and children who lose Medicaid after leaving welfare eligible for coverage?

Although most of the leaver studies are not specifically designed for this purpose, they often include information that can be used to gauge broadly the extent to which children and parents are likely to remain eligible for Medicaid after leaving welfare. It appears that the vast majority of parents and children who leave welfare remain eligible for Medicaid, although parents often are eligible only for a transitional period of coverage.

- ***In the only study that specifically evaluated eligibility for Medicaid and SCHIP after welfare, 90 percent of children who became uninsured after leaving welfare were eligible for coverage.***

The leaver study conducted in Colorado is the only one in which the researchers specifically evaluated the extent to which children leaving welfare remained eligible for Medicaid or SCHIP. They found that nine of the ten uninsured children in families that had left welfare were eligible for coverage under Medicaid or the state's SCHIP program. If these eligible children had remained on Medicaid, only three percent of the children in families leaving welfare in Colorado would have become uninsured. As it was, nearly one in three became uninsured (31 percent) when their families left welfare.

- ***Other studies show that the majority of families —and most likely the overwhelming majority —have income or earnings below the Medicaid or SCHIP***



*eligibility thresholds for children.*

Although the leaver studies in states other than Colorado do not explicitly address this issue, some of these studies do include income or earnings information. This information suggests that the vast majority of children remain eligible for Medicaid or SCHIP after their families leave welfare.

The studies that provide some information on the income and/or earnings distribution of families after leaving welfare indicate that between 50 percent and 90 percent of these families remain below the poverty line. Since most states now provide Medicaid or coverage through separate SCHIP programs to children with family incomes up to 200 percent of the poverty line or higher, these data suggest the majority — and most likely the overwhelming majority — of children in families that have recently left welfare remain eligible for coverage.<sup>18</sup>

- According to an April 1999 study, more than 90 percent of families leaving welfare in Missouri in the fourth quarter of 1996 had earnings below 100 percent of the poverty line.
- In Georgia, 89 percent of single-parents who had left welfare reported they earned less than \$1,200 a month, an amount that falls only a little above the poverty line for a family of three.
- In Oregon, 72 percent of families reported that their earnings remained below the poverty line after leaving welfare.
- In Connecticut, 53 percent of families that reached the state's time limit had income below the poverty line six months after leaving welfare (most of those reaching the time limit were working when they did).
- Similarly, 53 percent of families in New Jersey remained below the poverty line after leaving welfare.
- In Ohio, 55 percent of families remained below the poverty line, and 83 percent remained below 150 percent of the poverty line.

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<sup>18</sup>The studies listed below provide information on the income and/or earnings distribution of families that have left welfare. Some families with *earnings* below the poverty line (or a multiple of the poverty line) may nevertheless have *income* above it if they have a source(s) of unearned income. Thus, data on earnings alone do not provide conclusive evidence of the extent to which families remain eligible for health coverage after leaving welfare. Also, depending on the state, some children who are income-eligible for coverage may nevertheless not qualify for Medicaid or SCHIP due to their families' assets or due to prohibitions on families enrolling their children in separate SCHIP programs when they have access to employer-based coverage.

- In Indiana, 57 percent of former recipients reported monthly household income below \$1,000 (\$12,000 on an annualized basis).
- In Wyoming, 67.5 percent of families that had left welfare reported that their income was below \$10,000 a year in 1997, an amount that falls below the poverty line for a family of three.

Some leaver studies not otherwise included in this review because they lack information on health insurance status do provide data on the income and earnings of former recipients. These studies, as well, suggest that the majority of families remain below the poverty line.

- According to a GAO review of leaver studies, 57 percent of former welfare recipients in Oklahoma reported household incomes below 100 percent of the poverty line.<sup>19</sup>
- The GAO review also found that 65 percent of former welfare families in Wisconsin with one child had earnings below the poverty line, as did 76 percent of former welfare families with two children and 89 percent of former welfare families with three or more children.<sup>20</sup>

- ***The parents in many families that have left welfare are eligible for Medicaid at least on a transitional basis because they left for employment-related reasons.***

The parents in families leaving welfare for work generally remain eligible for Medicaid, at least for a transitional period of up to 12 months. (Their children also are eligible for TMA when they leave welfare for work, but it appears the vast majority of children in families that have left welfare also are eligible for ongoing Medicaid coverage simply because of their families' income levels.) An earlier review of leaver studies concluded that between half and three-quarters of

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<sup>19</sup>General Accounting Office, *Welfare Reform: Information on Former Recipients' Status*, April 1999, GAO/HEHS-99-48.

<sup>20</sup>Many of the leaver studies also provide information on the average earnings of families that have left welfare for work. Although average earnings are not as useful a guide to the portion of families likely to have children who remain eligible for Medicaid as information on the distribution of income or earnings among former recipients, they nevertheless confirm that many families leaving welfare remain low income. In a recent review of state-level leaver studies conducted by Mathematica Policy Research, Inc., researchers found that average monthly earnings ranged from \$648 to \$1,187 (\$7,776 to \$14,244 on an annualized basis) at the point of leaving cash assistance and from \$766 to \$1,504 a month a year later (\$9,192 to \$18,048 on an annualized basis). The researchers concluded that many families who leave welfare for work "would likely still be eligible for FSP [Food Stamps] and Medicaid benefits, even 12 months after leaving cash assistance." M. Robin Dion and La Donna Pavetti, Mathematica Policy Research, Inc., *Access To And Participation in Medicaid and the Food Stamp Program: A Review of the Recent Literature*, March 7, 2000.

parents are employed shortly after they leave the welfare rolls.<sup>21</sup> In these families, the parents are eligible for Medicaid after leaving welfare for a transitional period and possibly on an ongoing basis, depending on their income level and the state in which they reside.<sup>22</sup>

Even parents who leave welfare for reasons other than work are likely to remain eligible for Medicaid unless they lose welfare due to a significant increase in unearned income or due to a change in the composition of their families. The state-level leaver studies, however, generally do not provide information that make it possible to evaluate the extent to which families lose TANF for these reasons.

### **3. To what extent are families that lose Medicaid after leaving welfare becoming uninsured?**

The loss of Medicaid among families leaving welfare might be of less policy concern if these families were able to secure coverage through alternative means.<sup>23</sup> The leaver studies suggest, however, that only a minority of families leaving welfare are able to secure private coverage, placing those who lose Medicaid at high risk of joining the ranks of the uninsured. Table 2 presents the information available from the leaver studies on the extent to which parents and children become uninsured after leaving welfare, while Table 3 shows the proportion enrolled in private coverage (some of whom also may be enrolled in Medicaid).

- ***In most states, more than one in five children is uninsured after leaving welfare.***

As shown in Table 2, it is common for at least one in five children to become uninsured when their families leave welfare. For example, one in four children in

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<sup>21</sup>Sharon Parrott, *Welfare Recipients Who Find Jobs: What Do We Know About Their Employment and Earnings?*, Center on Budget and Policy Priorities, November 16, 1998.

<sup>22</sup>Although TMA no longer is technically triggered by loss of welfare, it is available to families that otherwise would lose their eligibility for regular Medicaid due to earnings. Since most states generally continue to use similar eligibility rules for TANF and Medicaid, families that lose TANF due to earnings often simultaneously lose their eligibility for regular Medicaid. In states where Medicaid eligibility rules are more generous than TANF rules, these families might continue to receive regular Medicaid coverage rather than TMA after leaving welfare.

<sup>23</sup>Even families with access to affordable, employer-sponsored insurance coverage after leaving welfare may benefit from maintaining their Medicaid coverage. When families are enrolled in both Medicaid and employer-based coverage, Medicaid can help families meet the premium and cost-sharing obligations associated with participating in the employer-based plan, as well as cover benefits (e.g., prescription drug and mental health benefits) that are not part of the employer-based plan.

**Table 2: Uninsured Status of Children and Parents After Leaving Welfare**  
(Based on state-level leaver studies)

State	Children		Parents	
	Uninsured	Insured	Uninsured	Insured
Colorado (survey data)	31.0%	69.0%	46.0%	54.0%
Connecticut (time limit study)	6.0% or less	94.0% or more	6.0% or less	94.0% or more
Florida (December 1999)	30.0%	70.0%	51.4%	48.6%
Escambia County, FL (April 1999, time limit study)	Not available	Not available	21.0%	79.0%
Georgia (December 1999, study 1)	22.0%	78.0%	Not available	Not available
Illinois	25.0% ( <i>Statewide</i> ) 31% ( <i>Cook County</i> ) 16% ( <i>Downstate</i> )	75.0% ( <i>Statewide</i> ) 69% ( <i>Cook County</i> ) 84% ( <i>Downstate</i> )	31.0% ( <i>Statewide</i> ) 35% ( <i>Cook County</i> ) 25% ( <i>Downstate</i> )	69.0% ( <i>Statewide</i> ) 65% ( <i>Cook County</i> ) 75% ( <i>Downstate</i> )
Indiana	34.9%	65.1%	54.0%	46.0%
Mississippi	46% or more	54% or less	Not available	Not available
New Jersey	25.0%	75.0%	27.0%	73.0%
New Mexico	26.4%	73.6%	Not available	Not available
North Carolina (time limit study)	8.0%	92.0%	Not available	Not available
Cuyahoga County, Ohio	16.0%	84.0%	24.0%	76.0%
Oregon	Not available	Not available	24.0%	76.0%
Pennsylvania	20.0%	80.0%	60.0%	40.0%
South Carolina	11.3%	88.7%	31.5%	68.5%
Washington	13.0%	87.0%	26.0%	74.0%

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. See Appendix A for details on the study design in each state. In state 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.

Illinois, New Jersey, and New Mexico are uninsured after they leave welfare. In some states, an even greater portion of children end up uninsured when their families leave welfare. Some 35 percent of children in Indiana and 46 percent or more of children in Mississippi were uninsured after leaving welfare.

- ***Parents are more likely to join the ranks of the uninsured after leaving welfare than their children***

It is common for more than one of four parents in families leaving welfare to become uninsured, and in many states, close to half of parents lack coverage after leaving welfare. For example, close to half of parents leaving welfare were uninsured in Colorado (46 percent) and in Florida (51 percent). In some states, such as Pennsylvania, three in five parents who left welfare were uninsured.

- ***Only a minority of families are enrolled in private coverage after leaving welfare.***

As shown in Table 3, the leaver studies suggest that in most states, roughly one in six children and parents who have left welfare are likely to be enrolled in private coverage (at least during the periods evaluated by the leaver studies). In Ohio, for example, 15 percent of children and 17 percent of parents were enrolled in private coverage some five months after leaving welfare. Similarly, 13 percent of children and 15 percent of parents in families who left Pennsylvania's welfare program had private coverage when surveyed six months or more after their departure. In some states, such as Colorado, Illinois, Oregon, and Wisconsin, private coverage rates were significantly higher, but even in these states, a minority of parents (24 percent to 30 percent) and their children (18 percent to 40 percent) received private insurance after leaving welfare.

#### **4. What is the potential for families leaving welfare to secure private coverage?**

As noted above, it is common for fewer than one in six parents and children in families leaving welfare to be enrolled in private coverage. Since many of these people are in working families, this raises the question of the extent to which families leaving welfare could secure coverage through their employers but are unable or unwilling to do so. Only a minority of leaver studies provide information on access to employer-based coverage. Those that do provide relatively little detail on the extent to which it is available to families that have left welfare for work, its cost, and the quality of the coverage. Nevertheless, the information available on former welfare recipients' access to employer-based coverage, which is summarized in Table 4, suggests the following:

**Table 3: Private Coverage for Children and Parents After Leaving Welfare**  
(Based on state-level leaver studies)

<b>State</b>	<b>Children</b>	<b>Parents</b>
Colorado ( <i>survey data</i> )	40.0% of all leavers (26% employer-based; 14% other coverage)	26.0% of all leavers
Illinois	29.0% of all leavers	30.0% of all leavers
Iowa ( <i>August 1999, sanction</i> )	Not available	9% of working leavers had employer-subsidized coverage
Kansas	Not available	19.0% of working leavers had employer-subsidized coverage
Mississippi	10% of all leavers	Not available
New Jersey	Not available	11% of all leavers
New Mexico	9.7% of all leavers	24% of working leavers had employer-subsidized coverage
North Carolina ( <i>time limit study</i> )	7.6% of all leavers	20.0% of all leavers
Ohio, Cuyahoga County	15.0% of all leavers	17.0% of all leavers
Oregon	Not available	24% of all leavers
Pennsylvania	13.0% of all leavers	15.0% of all leavers
South Carolina	8.5% of all leavers	11.9% of all leavers
Washington	18.0% of all leavers	18.5% of all leavers
Wisconsin	Not available	26.0% of all leavers
Wyoming	Not available	17% of all leavers (9% of all leavers had private coverage subsidized by an employer)

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. See Appendix A for details on the study design in each state. In states with more than one leaver study that is cited in this report, 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.



<b>Table 4: Access to Employer-subsidized Coverage Among Working Leavers</b> <i>(Based on state-level leaver studies)</i>				
<b>State</b>	<b>Offer rate</b>	<b>"Take up" rate</b>	<b>Coverage rate</b>	<b>Reason(s) for declining coverage</b>
Colorado	49%	75%	37%	Not available
Connecticut	49.5%	67%	33%	Not available
Iowa (May 1997, sanction study)	36%	31%	11%	41% cited cost
Indiana	61%	Not available	Not available	Not available
Massachusetts	44%	Not available	Not available	Not available
Missouri (January 2000)	62%	Not available	Not available	Not available
North Carolina (time limit study)	31%	67.5%	20.9%	30% cited cost; 35% cited the availability of Medicaid; and 35% cited other reasons
Ohio	36%	50% (appx.)	18%	Not available
Texas	42%	Not available	Not available	Not available
Washington	36%	52%	19%	Not available
<p>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. See Appendix A for details on the study design in each state. In states with more than one leaver study that is cited in this report, 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.</p>				

- ***Fewer than half of families that leave welfare for work are offered the opportunity to purchase coverage through their employers.***

Typically, fewer than half of families that leave welfare for work are offered the opportunity to purchase coverage through their employers. The exceptions are in Indiana and Missouri where more than 60 percent of employed former welfare recipients were offered coverage, although there is no information in these two states on the extent to which families were able to take up the offer. At times former welfare recipients work for employers who offer coverage to some employees but the former recipients themselves are not offered the chance to participate in coverage. In North Carolina, 62 percent of employed former welfare recipients worked for employers that subsidize health insurance for at least some employees, but a little more than half were not themselves eligible for

the employer-based coverage. The North Carolina parents that worked for firms offering coverage to some employees were not themselves offered coverage because they had not worked at their jobs for a sufficient period of time, were employed part-time, or were considered temporary employees.

- ***One-third to two-thirds of former welfare families with the opportunity to purchase employer-based coverage take advantage of it.***

The extent to which families take advantage of the opportunity to purchase employer-based coverage varies significantly among the states for which information is available. In Iowa, fewer than one in three families that are offered employer-sponsored coverage take advantage of it, while in North Carolina and Connecticut two in three take advantage of such coverage.

- ***A substantial number of families that work for businesses that offer them coverage cite cost as the reason why they do not "take up" the coverage.***

Two of the leaver studies provide more detailed information on the availability of employer-sponsored coverage and the reasons why people elect to take advantage of it or not.

Among those former welfare recipients in North Carolina who were eligible to participate in employer-subsidized coverage, roughly two in three took advantage of the offer. The one in three who elected not to participate gave as reasons the cost of the coverage (30 percent), the availability of Medicaid (35 percent), and other reasons (35 percent).

A little more than one in three former welfare recipients in Iowa had health insurance available to them in their most recent job (36 percent). Relatively few of these families (30 percent) took up the offer of coverage. Among those that did not, 41 percent cited the cost of the coverage as the reason. The remainder gave other reasons.

- ***The leaver studies are consistent with other research showing that low-wage workers have relatively limited access to affordable, employer-based coverage.***

The findings from the leaver studies are consistent with data available from national surveys on the limited extent to which low-wage workers have access to employer-based coverage, as well as the extent to which low-wage workers take up employer-based coverage. According to 1996 data from the National Medical Expenditures Survey, 43 percent of workers who make \$7 per hour or less were

offered coverage by their employers. Of those offered coverage, 63 percent took advantage of the offer.<sup>24</sup>

- ***Families that are not working after leaving welfare have little or no access to private coverage and are at particularly high risk of being without coverage.***

Most state-level leaver studies do not address the extent to which former welfare recipients purchase private coverage through a source other than an employer, presumably because few former welfare recipients are in a position to secure coverage in the private marketplace. It is often relatively expensive to purchase coverage as an individual on the private market and, in some cases, it is not even available, particularly to people with pre-existing health problems. According to the handful of state-level leaver studies that address the issue, only a tiny fraction of families that have left welfare secure private coverage through a source other than an employer. For example, South Carolina's most recent leaver study found that roughly five percent of households had private coverage that was not subsidized by an employer. In a national-level analysis of welfare leavers, researchers at the Urban Institute found that fewer than two percent of welfare leavers had private coverage that was not through employment (either the former welfare recipient's own or her partner's).<sup>25</sup>

Given the difficulty of securing private coverage without the aid of an employer-subsidy, the significant minority of families that lose Medicaid after they leave welfare for reasons other than work are at particularly high risk of being uninsured. For example, Urban Institute's national-level analysis of welfare leavers found that nearly half (49 percent) of former welfare recipients who were not working were uninsured, compared to 34 percent of their employed counterparts.

## **5. Why aren't more of the eligible families that leave welfare remaining enrolled in Medicaid?**

Although the leaver studies are not specifically designed to explain why families may be missing out on Medicaid after leaving welfare, a number have gathered information on families' awareness of the ongoing availability of Medicaid.

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<sup>24</sup>Philip F. Cooper and Barbara Steinberg Schone, "More Offers, Fewer Takers for Employment-Based Health Insurance: 1987 and 1996," *Health Affairs*, November/December 1997, Volume 16, Number 6.

<sup>25</sup>Bowen Garrett and John Holohan, *Welfare Leavers, Medicaid Coverage, and Private Health Insurance*, Urban Institute, March 2000.

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

As shown in Table 5, some 13 percent to 40 percent of families indicated they were not aware they could get Medicaid for their children after leaving welfare. An even larger portion of respondents — in Florida, more than half — were unaware that they themselves could get Medicaid after leaving welfare.

- ***Confusion over Medicaid rules may be more widespread than the leaver studies can capture.***

The leaver studies are not designed to provide information about the level of understanding of Medicaid rules among families that report they are aware they can maintain Medicaid after leaving welfare. For example, some parents who confirmed they were aware of the availability of transitional medical benefits may not understand the specific steps they need to take to secure Transitional Medical Assistance.<sup>26</sup>

A recent study prepared for the Kaiser Commission on the Future of Medicaid and the Uninsured highlights that a significant minority of families do not understand that their children can receive Medicaid when not on welfare. The study also suggests that many more families may be reluctant to use Medicaid because of confusion about the program's rules. The Kaiser study found that 25 percent of families with children that are enrolled in Medicaid were not aware their children could receive Medicaid while not on welfare. Among families with uninsured children who were eligible for Medicaid but not enrolled, 39 percent did not realize they could get Medicaid for their children without going on welfare. Furthermore, more than seven in ten low-income parents mistakenly believed that time limits apply to Medicaid coverage for children. Thus, it appears that even many of those parents who understand that they do not need to be on welfare to secure health coverage for their children are confused about Medicaid eligibility rules and may be deterred from applying.<sup>27</sup>

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<sup>26</sup>The April 7, 2000 HCFA letter clarifies that people remain eligible for Medicaid until the state has conducted a review, using information already in its files to the extent feasible, that shows they no longer qualify for Medicaid under any of the program's eligibility categories. As a result, in many cases families may not need to take any steps to be found eligible for ongoing Medicaid or TMA when they leave welfare for work. However, when states do not have information in their files showing that a family recently has experienced an increase in earnings, they may require families to provide this information to be eligible for TMA.

<sup>27</sup>Kaiser Commission on the Future of Medicaid and the Uninsured, *Medicaid and Children: Overcoming Barriers to Enrollment*, January 2000.

<p align="center"><b>Table 5: Families' Awareness of the Availability of Medicaid After Leaving Welfare</b> (Based on state-level leaver studies)</p>	
Florida, (Dec. 1999)	<p>43.9% of respondents were aware (46.1% unaware) that <i>they</i> could get Medicaid after leaving TANF</p> <p>61.2% of respondents were aware (38.8% unaware) that <i>their children</i> could get Medicaid after leaving TANF</p>
Idaho	80% of respondents were aware (20% unaware) that they might be eligible for Medicaid after leaving welfare
Mississippi	60% of respondents were aware (40% unaware) they could get Medicaid after leaving TANF
New Jersey	75% of uninsured leavers were aware (25% unaware) of the availability of Transitional Medicaid benefits.
Pennsylvania	<p>77% of respondents were aware (23% unaware) of the availability of ongoing Medicaid coverage for <i>adults</i>.</p> <p>86% of respondents were aware (14% unaware) of the availability of ongoing Medicaid coverage for <i>children</i>.</p>
South Carolina	<p>57% of respondents were aware (43 percent unaware) that <i>adults</i> who leave welfare for work can continue to receive Medicaid</p> <p>87% of respondents were aware (13% unaware) that <i>children</i> were eligible to receive Medicaid after leaving welfare.</p> <p>Awareness of the ongoing availability of Medicaid was greater among families leaving welfare for work than among families not leaving welfare for work.</p>
Washington	78% of leavers were aware (22% unaware) that most TANF families in Washington can continue Medicaid when leaving welfare. Thirty-nine percent of those unaware of ongoing medical coverage were actually enrolled in Medicaid.
Wisconsin	<p>76% of respondents were aware (24% unaware) that <i>children</i> can get Medicaid after leaving welfare</p> <p>61% of respondents were aware (39% unaware) that <i>some working adults</i> can get Medicaid after leaving welfare.</p>
<p>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. See Appendix A for details on the study design in each state. In states with more than one leaver study that is cited in this report, 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.</p>	

These findings indicate that it may not be enough for families simply to be aware that some families and children are eligible for Medicaid after leaving welfare. Even if they are generally aware of their ongoing eligibility for coverage, they may not understand the steps they need to take to maintain coverage or they may be reluctant to use Medicaid if they believe it is time-limited in the same way as welfare programs. (In that case, they may believe they should preserve their months of eligibility for a time when their circumstances worsen, such as during an economic downturn.)

### **Families Leaving Welfare Often Have a Pressing Need for Ongoing Health Coverage**

A recent Center review of the literature on parents with disabilities and other health conditions with a connection to welfare found that a strikingly large number of these parents suffered from physical disabilities, mental health problems, and substance abuse problems. The key findings of the review include the following:

- Roughly one-fourth to one-third of parents enrolled in TANF have a mental health problem, as do approximately one-fifth of those who have left TANF and are not working.
- It appears that upwards of one-fifth of parents enrolled in TANF have physical impairments that limit their ability to work.
- Although it is more difficult to generalize about the extent of substance abuse problems — largely because of widespread variation in the definition of what constitutes a "substance abuse problem" — anywhere from two percent to 20 percent of parents with a connection to welfare report a substance abuse problem of one kind or another.

For the significant minority of TANF parents with physical or mental health problems, loss of Medicaid after leaving welfare is likely to have a harmful effect on their health, ability to care for their children, and in some cases, efforts to sustain employment and remain off welfare. It is common for state-level leaver studies that examine this issue to indicate that those parents who left welfare for work but then lost their jobs have a high incidence of health problems relative to their counterparts who have remained employed. Many of these parents who lost their jobs suffer from medical conditions — such as diabetes or depression — that need not preclude employment if the conditions are controlled with adequate medical care. For these parents, loss of Medicaid after leaving welfare can contribute to their inability to continue working.

For more details, see Eileen P. Sweeney, *Recent Studies Indicate that Many Parents Who Are Current or Former Welfare Recipients Have Disabilities or Other Medical Conditions*, Center on Budget and Policy Priorities, February 29, 2000.

## 6. How does leaving welfare affect families' ability to secure needed medical care?

Numerous studies have found that people who are uninsured often miss out on needed health care services. The state-level leaver studies corroborate this basic finding. These studies indicate that families find it more difficult to secure needed health care services after they leave welfare and are at high risk of becoming uninsured.

- ***In Florida, more than two in five uninsured former welfare recipients reported unmet medical needs.***

Florida was the only state to examine unmet medical need among *uninsured* former welfare recipients (as opposed to *all* former recipients). It found that 44 percent of uninsured respondents who had left welfare needed medical care but were not able to secure it. A similar portion — 43 percent — reported needing medical care for their children and not being able to obtain it.

- ***In many states, families' unmet medical needs increased markedly after leaving welfare.***

To assess the impact of leaving welfare on access to health care, other states have asked families about the extent to which they experienced unmet medical needs before and after leaving welfare. Among the states that made such comparisons, *all found that unmet medical needs increased after families left welfare.* (It is important to note that these data reflect unmet medical needs among *all* families that left welfare, not only those that became uninsured after leaving welfare.)

- In Illinois, 18 percent of families reported unmet medical needs before leaving welfare, compared to 26 percent of families after leaving welfare.
- In Pennsylvania and South Carolina, only three percent to four percent of families reported being unable to secure needed medical care while on welfare. After leaving welfare, the portion of families reporting unmet medical needs increased to 9.5 percent in South Carolina and nine percent in Pennsylvania.
- In other states, the size of the increase in unmet medical needs was more modest, although these states had higher rates of unmet medical needs among families no longer on welfare. For example, Wisconsin found that 8 percent of families reported unmet medical needs prior to leaving welfare compared to 11 percent of families after leaving welfare.



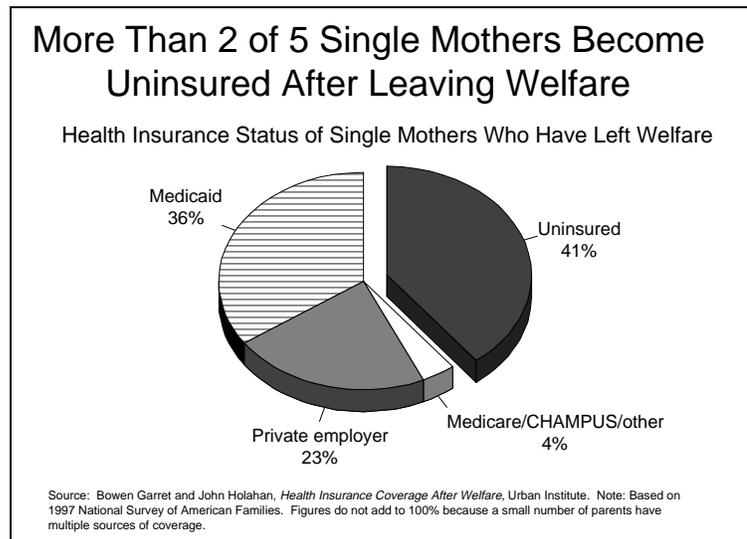
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## V. Earlier Research on the Impact of Welfare Reform on Health Coverage for Low-Income Families with Children

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The findings from the state-level leavers studies are consistent with a growing body of evidence that suggests that 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. In the past few years, several studies have suggested that the drop in the number of families on cash assistance has contributed to a decline in Medicaid enrollment among eligible families. A number of the studies specifically took into account the extent to which the strong economy might explain declines in Medicaid enrollment, but nevertheless found that welfare policies were adversely affecting Medicaid enrollment.

- An Urban Institute study conducted by Bowen Garrett and John Holahan, based on interviews with 1,300 families that stopped receiving welfare at some point between 1995 and 1997, found that half of the children in these families lost their Medicaid coverage. The study also found that these children had only limited access to coverage through their parents' employers. As a result, a quarter of the children



in families that left welfare ended up uninsured. An even larger share of parents who left welfare between 1995 and 1997 lost Medicaid and ended up uninsured — 64 percent lost Medicaid, and 41 became uninsured.<sup>28</sup>

Although most former welfare recipients had a job (56 percent), Garrett and Holahan found that only one-third of these workers had private employer coverage. With only a minority maintaining Medicaid, more than one in three mothers (34 percent) and nearly one in four children (24 percent) in working families that had left welfare joined the ranks of the uninsured.

- Using 1995 state-level data from Alabama, California, Florida, Michigan, and New Jersey, Ellwood and Irvin at Mathematic Policy Research, Inc. evaluated the Medicaid enrollment of former welfare recipients. They found that at least half the children and adults leaving welfare in each of these states between February and June of 1995 also lost Medicaid. Moreover, their research highlighted the significant extent to which there is "turnover" in states' Medicaid caseloads. Among the five states studied, nearly 1.5 million children and almost a million adults disenrolled from Medicaid during the year. Although it is not possible to identify how many of those who disenrolled remained eligible for Medicaid, Ellwood and Irvin note "Turnover is a problem to the extent that individuals leaving Medicaid continue to be eligible. Other researchers have found that many children who are uninsured were previously enrolled in Medicaid, and that many still appeared to be eligible."<sup>29</sup>
- A recent Urban Institute analysis of Medicaid caseload trends found 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. In total, enrollment of nonelderly, nondisabled adults and of children fell 10.6 percent and 2.7 percent, respectively, between fiscal years 1995 and 1997.<sup>30</sup>
- A separate Urban Institute report considered the extent to which the decline in Medicaid caseloads in recent years could be explained by welfare reform policies rather than the strong economy and other factors. The authors found that although some of the decline in Medicaid enrollment among adults and children could be attributed to the strong economy, it was neither the only nor the

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<sup>28</sup>Bowen Garrett and John Holahan, "Health Insurance Coverage After Welfare," *Health Affairs*, January/February 2000, Volume 19, Number 1.

<sup>29</sup>Marilyn Ellwood and Carol Irvin, *Welfare Leavers and Medicaid Dynamics: Five States in 1995*, Mathematica Policy Research, Inc., April 14, 2000.

<sup>30</sup>Leighton Ku and Brian Bruen, *The Continuing Decline in Medicaid Coverage*, Urban Institute, December 1999.

predominant factor driving this trend. They concluded that the decline in Medicaid caseloads between 1995 and 1996 could be attributed in roughly equal measure to state welfare policies and to macroeconomic factors, such as lower unemployment rates and higher earnings.<sup>31</sup>

- A recent General Accounting Office report found that the number of adults and children on Medicaid dropped by 7.4 percent between 1995 and 1997, from 23.6 million in 1995 to 21.8 million in 1997. The report concluded that "National declines in Medicaid enrollment raise questions about whether states have been able to 'de-link' welfare and Medicaid policies in a manner that consistently ensures Medicaid coverage for eligible individuals."<sup>32</sup>
- An earlier report by the Center on Budget and Policy Priorities found the United States did not make any progress 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 number of poor children enrolled in Medicaid, the majority of which could not be attributed to fewer children living in poverty. Instead, more than half of the decline in the number of poor children enrolled in Medicaid was due to a drop in the rate at which they participated in that program. In 1996, 62.6 percent of all poor children participated in Medicaid. By 1998, only 57.8 percent did. If Medicaid had covered the same proportion of poor children in 1998 that it covered in 1996, roughly 643,000 additional poor children might have had health insurance coverage in 1998.<sup>33</sup>
- Finally, several studies that Families USA has conducted have found that welfare reform has adversely affected Medicaid enrollment.
  - The first study, conducted for Families USA by Lewin Associates in the spring of 1999, found that changes in welfare policy between 1995 and

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<sup>31</sup>Leighton Ku and Bowen Garrett, *How Welfare Reform and Economic Factors Affected Medicaid Participation: 1984 - 1996*, Urban Institute, February 2000.

<sup>32</sup>General Accounting Office, *Medicaid Enrollment: Amid Declines, State Efforts to Ensure Coverage After Welfare Reform Vary*, September 1999. These figures are based on data collected by GAO directly from all states except Rhode Island and West Virginia.

<sup>33</sup>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.

1997 caused 1.25 million people to lose Medicaid. More than half of these 1.25 million people were uninsured in 1997.<sup>34</sup>

- Families USA also has issued studies on trends in children's and parents' enrollment in Medicaid. The study on children found that the number of children in federal-state health programs (including Medicaid and separate CHIP programs) fell from 11.2 million in 1996 to 10.9 million in the twelve states with the largest number of uninsured children, a decline of two percent. The drop in the number of children on publicly-funded coverage would have been far more significant but for the positive effect of SCHIP on children's coverage.<sup>35</sup>
- The study on parents found that among the 15 states with the largest number of uninsured low-income adults, the number of parents on Medicaid fell from 3.5 million in January 1996 to 2.6 million in December 1999, a decline of 27 percent. Unlike their children, parents are not able to enroll in SCHIP-funded programs. As a result, the loss of parents on Medicaid has not been offset by enrollment in other publicly-funded coverage.<sup>36</sup>

As with the state-level leaver studies, there is wide variation in the nature of the national studies on the impact of welfare reform on families' health insurance status. These studies consistently find, however, that welfare policy changes have adversely affected children and parents' health coverage, at least in the early years of implementing delinking.

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<sup>34</sup>Families USA, *Losing Health Insurance: The Unintended Consequences of Welfare Reform*, May 1999. The study estimated the impact of changes in welfare policy after controlling for several factors, including changes in the economy and demographic changes. As noted in the methodology section of that study, some of the efforts made to control for the effect of economic changes on Medicaid enrollment may have led the study to understate the extent to which welfare reform caused families to enter the job market whereupon they became ineligible for coverage.

<sup>35</sup>Families USA, *One Step Forward, One Step Back: Children's Health Coverage After CHIP and Welfare Reform*, October 1999.

<sup>36</sup>Families USA, *Go Directly to Work, Do Not Collect Health Insurance: Low-Income Parents Lose Medicaid*, June 2000.

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## VI. Policy Implications and Conclusion

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In combination with the existing body of research that indicates that welfare policy changes have caused low-income families to lose out on coverage, the findings from the state-level leaver studies raise serious questions about states' implementation of delinking. Even though the vast majority of children remain eligible for coverage after leaving welfare, as do most of their parents (at least for a transitional period), a significant number are losing coverage and joining the ranks of the uninsured. Since TANF programs now impose time-limits, sanctions, and other limitations and restrictions on using welfare, it is troubling that many families still may see themselves as being faced with a choice of retaining health coverage or leaving welfare. Medicaid eligibility rules are designed to assure that families can avoid this dilemma, but in practice, parents and children remain at high risk of losing coverage when they leave welfare.

### State-Level Policy Options

States have a number of tools at their disposal to reverse some of the adverse effects of TANF policies on Medicaid enrollment, as well as to assure that families leaving welfare in the future are not improperly cut off Medicaid. In addition, HCFA sent a letter to state Medicaid directors on April 7, 2000 that outlines a number of steps states are required to take to assure that eligible individuals in families that leave welfare remain enrolled in coverage.<sup>37</sup>

- ***Reinstate families that were improperly cut off Medicaid when they left TANF***

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<sup>37</sup>For a detailed discussion of many of the issues addressed in the letter, see Liz Schott, *Issues for Consideration As States Reinstate Families That Were Improperly Terminated from Medicaid Under Welfare Reform*, Center on Budget and Policy Priorities, May 30, 2000 available at <http://www.cbpp.org/5-30-00wel.pdf>.

The April 7<sup>th</sup> HCFA letter to state Medicaid directors apprizes them of their responsibility to evaluate whether any individuals (including parents and children) have improperly lost Medicaid when they left welfare since the time their state implemented its TANF program. When such individuals are identified, they must be reinstated in Medicaid for a brief period, during which time the state must determine if they are eligible for coverage on an ongoing basis.

- ***Continue the Medicaid of individuals in families leaving welfare until they are found ineligible for coverage.***

The HCFA letter also clarifies that states must continue the Medicaid of individuals in families that leave welfare now or in the future until these individuals are found to be ineligible for Medicaid coverage. When reviewing families' eligibility for Medicaid, states must conduct the reviews using information already in their files to the maximum extent possible, minimizing the paperwork burden imposed on families to retain Medicaid coverage.

States also have a number of important tools at their disposal that they can use, at their option, to help assure that families leaving welfare do not lose out on health coverage. State options to improve coverage among former welfare recipients include the following:

- ***Adopt family-based health insurance programs.***

A growing number of states have elected to convert their children's health programs into family-based programs that include children and their parents. For example, Wisconsin now provides health insurance to families with income up to 185 percent of the poverty line under a program known as "BadgerCare," using a combination of Medicaid and SCHIP funds. None of the leaver studies have yet evaluated families that have left welfare after implementation of a family-based health program, but it seems probable that families will be more likely to retain health coverage after leaving welfare if their state operates and promotes a health program for working families that has an identity distinct from welfare. Wisconsin officials cited the negative impact of their welfare policies on Medicaid enrollment as one of the reasons they enacted BadgerCare.<sup>38</sup> Such programs go beyond Transitional Medical Assistance by providing low-to-moderate-income working parents the same opportunity as their children to secure coverage on an ongoing basis. These programs also can provide health coverage to low-income working families that are diverted from welfare, along with families leaving welfare.

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<sup>38</sup>Peggy Bartels and Pris Boroniec, "BadgerCare: A Case Study of the Elusive New Federalism," *Health Affairs*, Volume 17, November/December 1998.

- ***Treat a family's loss of TANF as a "non-event" that does not affect Medicaid eligibility unless the family reports a change in its income or resources.***

States can elect to treat loss of TANF as a "non-event" with no bearing on a family's Medicaid status unless the loss is due to a change in circumstances that directly affects Medicaid eligibility. For example, a state could provide Medicaid to families for up to 12 months without subjecting them to a Medicaid review — even if they leave welfare during the course of the 12-month period — unless families specifically report a change in their circumstances that affects Medicaid eligibility. This option, for example, would help families that voluntarily withdraw from welfare due to concern about TANF time limits to maintain their Medicaid coverage. A state could simply continue such a family's coverage until its next regularly-scheduled Medicaid review even though the family has lost TANF. The state also could send a letter to such families informing them of their continued Medicaid coverage and reminding them of their responsibility to report changes in their circumstances that might affect Medicaid eligibility.

- ***Update computer systems.***

One of the most fundamental steps a state can take to assure that families retain the Medicaid coverage for which they are eligible after leaving welfare is to program properly the state's computer system to allow parents and children to remain on Medicaid regardless of their welfare status. In addition, the computers should be programmed to evaluate individuals for Medicaid coverage under all of the various eligibility categories, regardless of whether the family is newly applying for Medicaid or is at risk of losing coverage it currently has.

- ***Establish an interim system for reviewing the decision to cut a family off Medicaid when it leaves TANF.***

Some states that have acknowledged problems in delinking Medicaid and TANF have established an interim system for preventing families from improperly losing Medicaid after leaving welfare while the states undertake more ambitious reforms. For example, Maryland has established a system under which a special unit of caseworkers has been assigned to review whether individuals in families leaving welfare remain eligible for Medicaid. The system is expected to remain in place until Maryland has re-programmed its computers, trained caseworkers, and taken the other necessary steps to implement delinking fully.

For a more detailed discussion of the options available to states to facilitate the implementation of delinking, see Liz Schott and Cindy Mann, *Assuring that Eligible Families Receive Medicaid When TANF Assistance is Denied or Terminated*, Center on Budget and Policy Priorities, November 1998.

## **Conclusion**

Although states have numerous tools at their disposal for assuring that families leaving welfare retain health insurance coverage, the state-level leaver studies indicate that many states have not yet successfully implemented the delinking of welfare and Medicaid. As a result, families leaving welfare are at high risk of losing Medicaid and joining the ranks of the uninsured. Even parents who leave welfare for work often find themselves, and in many cases their children, without coverage. To prevent welfare reform from leaving an unintended legacy of more uninsured parents and children, states will need to respond to the HCFA directive to reinstate families to coverage, as well as to redouble their efforts to implement fully the delinking of welfare and Medicaid.

## APPENDIX A

<b>Key Characteristics of State-Level Welfare Leaver Studies Used in This Report</b> <i>(In states with multiple leaver studies cited in this report,  the date of the study is listed next to the name of the state)</i>						
State	Data source for health information	Date of departure from welfare	Sample size (n)	Response Rate	Lapse of time since leaving welfare	Include families who returned to welfare?
Arizona	administrative	1 <sup>st</sup> quarter of 1998	10,647	Not applicable	1 to 12 months	Yes
Colorado (administrative data component)	administrative	1st quarter of 1999	10,240	Not applicable	3 months	Yes
Colorado (survey component)	survey	July 1997 - September 1997	308	77%	appx. 24 months	Yes, although families must have remained off welfare at least through December 1998
Florida (December 1999)	survey	October 1996 - October 1998	over 4,500	50% (appx.)	1 to 28 months	No
Georgia (December 1999, study 1)	survey	Summer 1999	578	32%	appx. up to 3 months	Yes, although families must have remained off welfare for at least 2 months
Georgia (December 1999, study 2)	administrative	1997 - 1998	Variable (some 31,600 leavers in 1997 alone)	Not applicable	1 to 23 months	Yes, although families must have remained off welfare for at least 2 months
Georgia (undated)	administrative	1997	8,644 to 12,547	Not applicable	1 to 12 months	Yes, although families must have remained off welfare for at least 2 months

**Key Characteristics of State-Level Welfare Leaver Studies Used in This Report**

*(In states with multiple leaver studies cited in this report,  
the date of the study is listed next to the name of the state)*

<b>State</b>	<b>Data source for health information</b>	<b>Date of departure from welfare</b>	<b>Sample size (n)</b>	<b>Response Rate</b>	<b>Lapse of time since leaving welfare</b>	<b>Include families who returned to welfare?</b>
Idaho <sup>39</sup>	survey	July 1, 1997 — December 31, 1997	2,700 / 133	32% / 47%	Not available	Not available
Illinois	survey	December 1997 or June 1998	427	30.5%	5 to 11 months	Yes
Indiana <sup>40</sup>	survey	Not specified	1,600 (appx.)	71%	1 to 24 months	No
Kansas	survey	December 1997 - November 1998	296	37%	3 months to 12 months	Yes
Massachusetts	survey	December 1996 - June 1997	343	53%	3 months (appx.)	Yes, although families must have remained off welfare for at least 30 days.
Mississippi	survey	January 1998 - April 1998	351	87%	3 to 8 months	Yes
Missouri (January 2000)	survey	4 <sup>th</sup> quarter of 1996	878	74.5%	27 to 35 months	Yes, although families must have remained off welfare for at least two months

<sup>39</sup>The Idaho study compared the experiences of welfare leavers whose initial surveys were not returned by the postal service (n=2,700) and of welfare leavers whose initial surveys were returned, but for whom the Department could identify a more current address to which to send a second survey (n=113). The participation rate in the study was 32 percent for the former group and 47 percent for the latter.

<sup>40</sup>The study surveyed families in early 1997 who had participated in Indiana's welfare program between May 1995 and May 1996, including families on and off welfare. The data presented in this paper are based only on the families off welfare at the time the survey was conducted. Note, however, the 71% participation rate refers to all families included in the study, not just leavers.

**Key Characteristics of State-Level Welfare Leaver Studies Used in This Report**

*(In states with multiple leaver studies cited in this report,  
the date of the study is listed next to the name of the state)*

<b>State</b>	<b>Data source for health information</b>	<b>Date of departure from welfare</b>	<b>Sample size (n)</b>	<b>Response Rate</b>	<b>Lapse of time since leaving welfare</b>	<b>Include families who returned to welfare?</b>
Missouri (April 1999)	administrative	4 <sup>th</sup> quarter of 1996	11,500 (appx)	Not applicable	1 to 3 months	Yes
Missouri (December 1998) <sup>41</sup>	administrative	At any point in 1997 or January 1998	32,390	Not applicable	up to 1 year	Yes, although families must have remained off welfare at least through June 1998
New Jersey <sup>42</sup>	survey	Not specified	1,423	81%	8 to 26 months	No
New Mexico <sup>43</sup>	survey	Not specified	946	72.5%	1 to 18 months	No
New York	administrative	1 <sup>st</sup> quarter of 1997	9,000 (appx)	Not applicable	12 to 14 months	Yes, although families must have remained off welfare for at least two months
NYC, New York	survey	November 1997	126	22%	5 to 7 months	Yes

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<sup>41</sup>This study provides information on five cohorts of families who left welfare between 1993 and 1997. For purposes of this table, as well as for the paper itself, we present the data only on the most recent cohort of families to leave welfare.

<sup>42</sup>The study is based on interviews with 1,423 families who were enrolled in welfare at some point between July of 1997 and June of 1998. The data presented in this paper are based only on the roughly 882 families who were off welfare at the time the survey was conducted. Note, however, the 81% participation rate refers to all families included in the study, not just leavers.

<sup>43</sup>The study is based on information gathered from 1,812 families enrolled in welfare at some point between July 1998 and June 1999. The data presented in this paper are based only on the 946 respondents off welfare at the time the survey was conducted. Note, however, the 72.5% participation rate refers to all families included in the study, not just leavers.

**Key Characteristics of State-Level Welfare Leaver Studies Used in This Report**

*(In states with multiple leaver studies cited in this report,  
the date of the study is listed next to the name of the state)*

<b>State</b>	<b>Data source for health information</b>	<b>Date of departure from welfare</b>	<b>Sample size (n)</b>	<b>Response Rate</b>	<b>Lapse of time since leaving welfare</b>	<b>Include families who returned to welfare?</b>
Cuyahoga County, Ohio	survey	October 1998 - March 1999	198	70%	5 months	Yes, although families must have remained off welfare for at least two months
Oregon <sup>44</sup>	survey	1 <sup>st</sup> quarter of 1998	283	28%	12 to 18 months	Not available
Pennsylvania	survey	February 1998 - November 1998	125	29%	6 months or more	Not specified, although families were surveyed only if they were off welfare for at least six months
South Carolina	survey	April 1998 - September 1998	486	76%	8 to 16 months	No
Texas <sup>45</sup>	survey	November 1997	688	42%	8 months (appx.)	Yes, although families must have remained off welfare for at least six months

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<sup>44</sup>This study considered families who left TANF, as well as families who were diverted from TANF or left Food Stamps. The data presented in this paper are based on the 283 families who had left welfare. Note, however, the 28 percent participation rate applies to all families included in the study, not just the leavers.

<sup>45</sup>The Texas study is based on surveys with 1,396 families, 708 of whom were included in the study because they were diverted from welfare and 688 of whom were included because they left welfare in November 1997. The data presented in this paper are based on the families who left welfare. Note, however, the 42 percent participation rate applies to all families included in the study, not just the leavers.

**Key Characteristics of State-Level Welfare Leaver Studies Used in This Report**

*(In states with multiple leaver studies cited in this report,  
the date of the study is listed next to the name of the state)*

<b>State</b>	<b>Data source for health information</b>	<b>Date of departure from welfare</b>	<b>Sample size (n)</b>	<b>Response Rate</b>	<b>Lapse of time since leaving welfare</b>	<b>Include families who returned to welfare?</b>
Washington (March 2000)	survey	October 1998	708	72%	6 to 8 months	Yes, although families must have remained off welfare for at least 2 months
Wisconsin	survey	1 <sup>st</sup> quarter 1998	375	69%	6 to 9 months	No
Wyoming	survey	1998	200	15%	8 to 21 months	Yes
<b>Time Limit &amp; Sanction Studies</b>						
Connecticut (time limit)	survey	Late 1997	480	82%	6 months (appx.)	No
Florida, Escambia County (time limit)	survey	November 1996 - May 1997	89	64%	6 months	No
Iowa, selected counties (May 1997, sanction)	survey	November 1995 - January 1996	137	85%	1 to 5 months	No
Iowa (August 1999, sanction, survey component)	survey	February — April 1998	185	76.4%	up to 6 months	No
Michigan (sanction)	administrative	April 1996	127	Not applicable	3 months (appx.)	No
North Carolina (time limit)	survey	July 1998	241	76.5%	4 months (appx.)	No



## **Appendix B**

### **Studies Used in This Report**

#### **Arizona**

John Routley, Karen Westra, *Arizona Cash Assistance Exit Study: First Quarter, 1998 Cohort*, Arizona Department of Economic Security, December 1999,  
<http://www.de.state.az.us/links/overview/exitstdy.html>.

#### **Colorado**

Rebecca London, Vincent Valvano, et al., *Evaluation of the Colorado Works Program: First Annual Report*, Berkeley Planning Associates, November 1999.

(Note: This study includes a component based on administrative data, as well as a component based on survey data.)

#### **Connecticut**

Dan Bloom, Jo Anna Hunter-Manns, *Connecticut Post-Time Limit Tracking Study: Six-Month Survey Results*, Manpower Demonstration Research Corporation, January 1999.

#### **Florida**

Robert Crew, Joy Eyerman, *After Leaving Wages*, Florida State University, December 1999.

Dan Bloom, Mary Farrell, James Kemple, Nandita Verma, *The Family Transition Program: Implementation and Three-Year Impacts of Florida's Initial Time-Limited Welfare Program*, Manpower Demonstration Research Corporation, April 1999.

#### **Georgia**

E. Michael Foster, Ph.D., Dana Rickman, *Georgia Welfare Leavers Study: Initial Results*, Applied Research Center, Andrew Young School of Policy Studies, Georgia State University, December 1999.

(Note: This study is referred to as "Study 1" in the tables used in this report since the date of publication alone is not sufficient to identify it.)

Georgia Department of Human Resources, Division of Family and Children Services, *Employment, Earnings, and Recidivism among Georgia's TANF Leavers: Findings from the TANF Follow-Up System*, December 1999.

(Note: This study is referred to as "Study 2" in the tables used in this report since the date of publication alone is not sufficient to identify it.)

E. Michael Foster, Ph.D. for the Georgia Department of Human Resources, Evaluation and Reporting Section, *Amended Quarterly Progress Report: Outcomes for Single Parent Leavers by Cohort Quarter for January - March 1999*, undated.

### **Idaho**

*Differences Between a Surveyed Closed TAFI Case Population and Its "Unreachable" Sub-Population*, Idaho Department of Health and Welfare, Winter 1998

### **Illinois**

George Julnes, Anthony Halter, et al., *When Families Leave Welfare Behind, First Survey Findings: Illinois Families in Transition*, Illinois Department of Human Services, prepared by the Institute of Public Affairs, University of Illinois at Springfield, and the School of Social Work, University of Illinois at Urbana-Champaign, 1999,  
[http://www.uisadmin.uis.edu/IPA/publications/tanf\\_01.pdf](http://www.uisadmin.uis.edu/IPA/publications/tanf_01.pdf) .

### **Indiana**

*The Indiana Welfare Reform: Who Is On and Who Is Off*, Abt Associates, Inc., September 1997.

### **Iowa**

*Second Assignments to Iowa's Limited Benefit Plan*, Mathematica Policy Research, Inc., August 1999.

### **Kansas**

*A Survey of Kansas Households Leaving the Temporary Assistance for Families Program: Final Report*, Program Analysis Unit, Kansas Department of Social and Rehabilitation Services, April 2000.

### **Massachusetts**

*How Are They Doing? A Longitudinal Study of Households Leaving Welfare Under Massachusetts Reform*, Massachusetts Department of Transitional Assistance, April 1999.

### **Michigan**

*A Study of AFDC Case Closures Due to Job Sanctions, April 1996 Case Closures*, Michigan Family Independence Agency, Administration for Legislation, Budget, and Analysis, May 1997.

### **Mississippi**

Jesse D. Beeler, Bill M. Brister, Sharon Chambry, et al., *Tracking of TANF Clients, First Report of a Longitudinal Study: Mississippi's Temporary Assistance for Needy Families Program*, Center for Applied Research, Milsaps College, revised January 1999.

### **Missouri**

Midwest Research Institute (MRI), *Employment and Earnings of Former AFDC Recipients in Missouri*, January 19, 2000.

Sharon Ryan, et al., *Preliminary Outcomes for 1996 Fourth Quarter AFDC Leavers*, Department of Economics, University of Missouri, April 1999.

Sharon Ryan, et al., *Evaluations of Outcomes for the AFDC/TANF and FUTURES Populations: 1993- 1998, Part III*, Department of Economics, University of Missouri, December 1998.

### **New Jersey**

Anu Rangarajan, Robert Wood, *How WFNJ Clients Are Faring Under Welfare Reform: An Early Look*, Mathematica Policy Research, Inc., October 1999.

### **New Mexico**

Phillip Richardson, *Survey of Current an Former Welfare Recipients*, prepared for New Mexico Health Services Department by Maximus, April 14, 2000.

### **New York**

*After Welfare: A Study of Work and Benefits Use After Case Closing*, The Nelson A. Rockefeller Institute of Government, July 1999.

### **NYC, New York**

Andrew S. Bush, Swati Desai, Lawrence M. Mead, *Leaving Welfare: Findings from a Survey of Former New York City Welfare Recipients*, The City of New York Office of Policy and Program Analysis, Human Resources Administration, September 1998.

### **North Carolina**

*Evaluation of the North Carolina Work First Program: Status of Families Leaving Works First After Reaching the 24-month Time Limit*, Maximus, May 25, 1999

### **Cuyahoga County, Ohio**

Claudia Coulton, Cara Pasqualone, et al., *How Are They Managing? A Six Month Retrospective of Cuyahoga County Families Leaving Welfare*, Center On Urban Poverty and Social Change, Mandel School of Applied Social Sciences, Case Western Reserve University, October 1999.

### **Oregon**

Joan Acker and Sandra Morgen, *Oregon Families Diverted From or Leaving TANF or Food Stamps: Employment, Jobs, and Poverty*, Center for the Study of Women in Society, University of Oregon, February 28, 2000.

**Pennsylvania**

*TANF Closed-Cases Telephone Survey*, Pennsylvania Department of Public Welfare, March 1998.

**South Carolina**

*Survey of Former Family Independence Program Clients: Cases Closed During January through March, 1998*, South Carolina Department of Social Services, June 1999.

(Note: This survey is the seventh in a series being conducted by the South Carolina Department of Social Services.)

**Texas**

*Why People Leave Welfare: Part 2*, Texas Legislative Council, December 1998.

**Washington**

Debra Fogarty, Shon Kralely, *A Study of Washington State TANF Leavers and TANF Recipients*, Office of Planning and Research, Economic Services Administration, Department of Health Services, March 2000.

(Note: This study is the latest in a series of studies being conducted by the Department of Health and Human Services in Washington.)

**Wisconsin**

*Survey of Those Leaving AFDC or W-2: January to March 1998*, Wisconsin Department of Workforce Development, January 1999.

**Wyoming**

*A Survey of Former POWER Recipients*, Western Management Services, October 1999.