

Welfare Recidivism and Use of Non-Cash Aid by Welfare Leavers in California

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EXECUTIVE SUMMARY

March 30, 2001

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The SPHERE Institute



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Executive Summary

Welfare recidivism has always been an important public policy issue, but has taken on greater significance in recent years due to concerns that welfare reform may be moving families off cash aid¹ before they are able to achieve self-sufficiency. Another major concern about the nationwide impact of welfare reform has been that families who leave cash aid may lose other benefits for which they remain eligible. This concern has been heightened because, at the same time that welfare caseloads have fallen nationwide, there also have been declines in Medicaid and Food Stamps caseloads, even though most families who leave cash aid continue to qualify for these programs. Another potential impact of welfare reform is that there may be an increase in transitions from cash aid to SSI, as the intensified employment preparation activities of welfare-to-work programs lead to the identification of adults or children with qualifying SSI disabilities. The objective of this report is to add to our understanding of cash-aid recidivism and the take-up of other forms of public assistance by welfare leavers in California, with particular emphasis on differences in aid use outcomes before and after CalWORKs implementation in January 1998.

We use statewide administrative data from California's Medi-Cal Eligibility Data System (MEDS) to examine post-exit aid use and welfare recidivism for different groups of families leaving cash aid. In our analysis we distinguish between three main types of welfare cases: one-parent, two-parent, and child-only. The one-parent type consists of cases with single aided parents, usually mothers, with one or more children. Two-parent cases have two resident parents and their children, with at least one parent receiving welfare. In child-only cases, a child is aided

¹ We use the terms "welfare" and "cash aid" throughout to refer to AFDC/CalWORKs. CalWORKs, or the California Work Opportunity and Responsibility to Kids Program, is the welfare reform program that replaced AFDC in California.

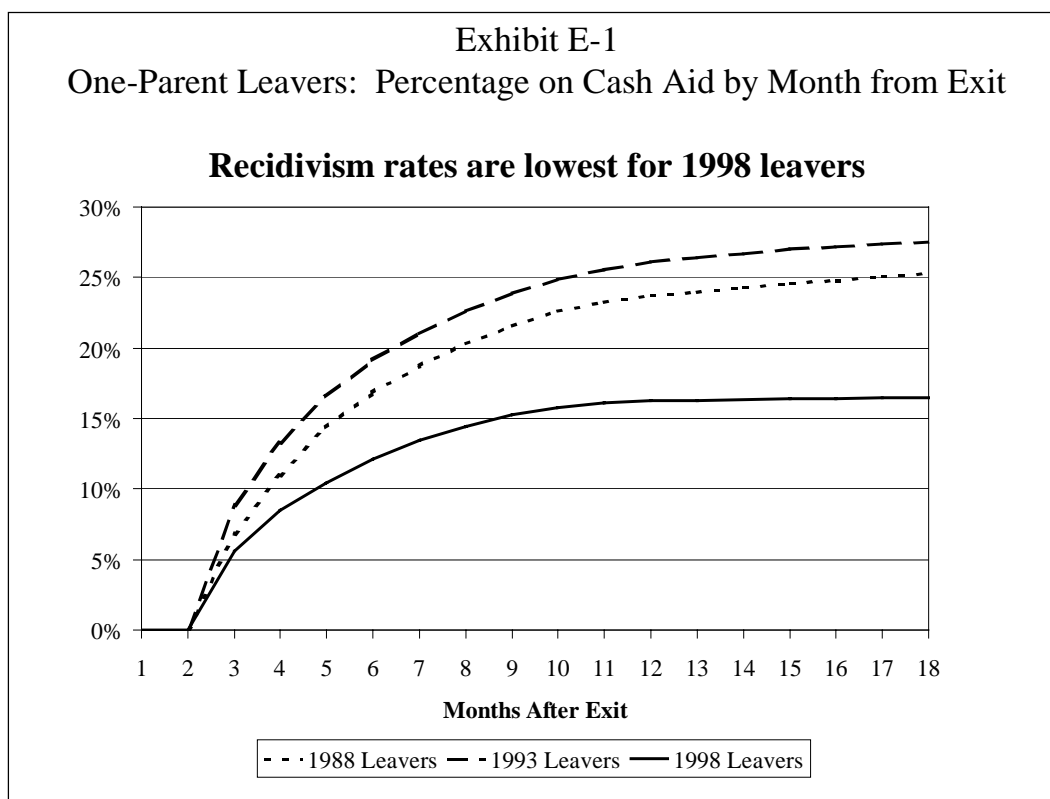
but his or her parents are not. In California, the most common reason that parents are not aided is that they are ineligible non-citizens.

To conduct our review, we examine trends for three separate cohorts of families – those leaving welfare in 1988, 1993, and 1998 – by tracking them for a period of 18 months following their exit from the program. We chose these three cohorts because of the timing of changes in welfare policies and economic conditions. CalWORKs implementation began in January 1998, so the 1998 leavers represent the first 12 months of CalWORKs leavers. We chose the 1988 leavers cohort as a comparison group because economic conditions in the late 1980s – as measured by the state unemployment rate – were similar to those experienced a decade later. The post-exit period examined for the 1988 leavers ends in June 1990, just before the onset of a recession in the second half of the year. Therefore, the comparison of outcomes between 1988 and 1998 leavers cohort is unlikely to be strongly affected by differences in economic conditions between the two time periods. The 1993 cohort was chosen because the post-exit period for this group represents a period of high and rising caseloads and high unemployment.

Key Findings

Recidivism Is Lower For Recent Welfare Leavers. Exhibit E-1 shows the percentage of one-parent leavers in each cohort with at least one member receiving AFDC/CalWORKs during the 18-month follow-up period.² The most recent cohort of leavers had significantly lower rates of recidivism. For example, only 17 percent of 1998 leavers were on cash aid one year after exit, compared to about 25 percent of the 1988 leavers and 27 percent of the 1993 group. Although not shown in the exhibit, the recidivism rates for the cohorts of two-parent leavers show a similar

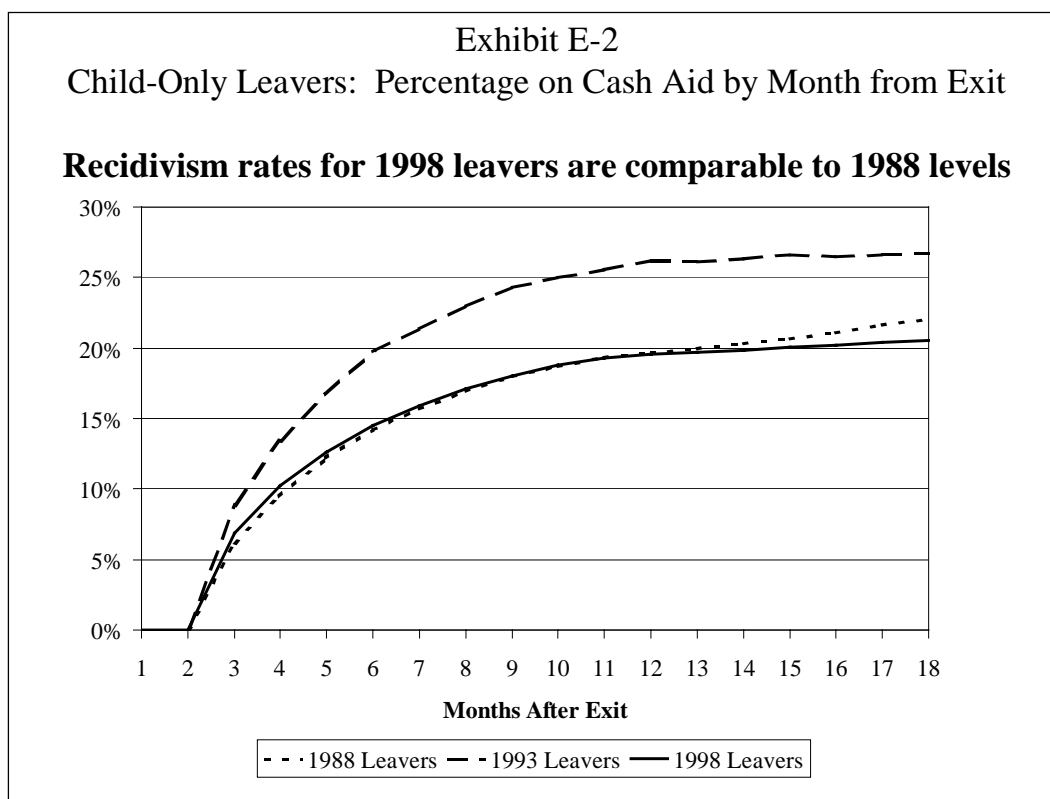
² The exhibit shows the proportion of each leaver subgroup with at least one member receiving cash aid, by month relative to the exit month. Month 1 is the first month off aid, month 2 is the second month off aid, and so on.



pattern. However, when examining child-only cases (Exhibit E-2), we find that recidivism for the 1998 cohort is lower than the 1993 group, but is about the same as the 1988 cohort.

To help explain the lower recidivism rate for the 1998 one-parent and two-parent leavers, we note that California’s economy during the post-1998 period was much stronger than in the 1993-94 period. However, there was not much difference between economic conditions in 1998-99 and 1988-89, at least as measured by the state unemployment rate, which suggests that differences in economic conditions do not fully account for differences in recidivism between the 1988 and 1998 cohorts.

A possible explanation for the lower recidivism rates observed in 1998 is that CalWORKs – with its greater emphasis on work, expansion of employment services (including job club programs to better prepare recipients to find and retain work), and the implementation of time limits – could have an effect on job retention as well as finding employment in the first



place. The fact that *child-only* recidivism rates are comparable for the 1988 and 1998 cohorts, while one-parent and two-parent recidivism rates are much lower for the CalWORKs cohort, is consistent with this explanation. This is because most of California’s child-only caseload is either exempt from, or failing to participate in, aspects of the CalWORKs program that might improve employment outcomes for the exiting assistance unit.

It is also possible that CalWORKs – and welfare reform more generally – may have led to behavioral effects that help to explain the lower recidivism rates. Welfare reform, for example, may have increased the stigma associated with welfare receipt and reduced the likelihood that leavers will choose to reapply for aid. However, it is important to note that sanction and time limit policies are unlikely to have had a large direct effect on welfare recidivism in California. This is because California has implemented maximum partial grant sanctions and has maintained CalWORKs eligibility for children beyond the five-year federal

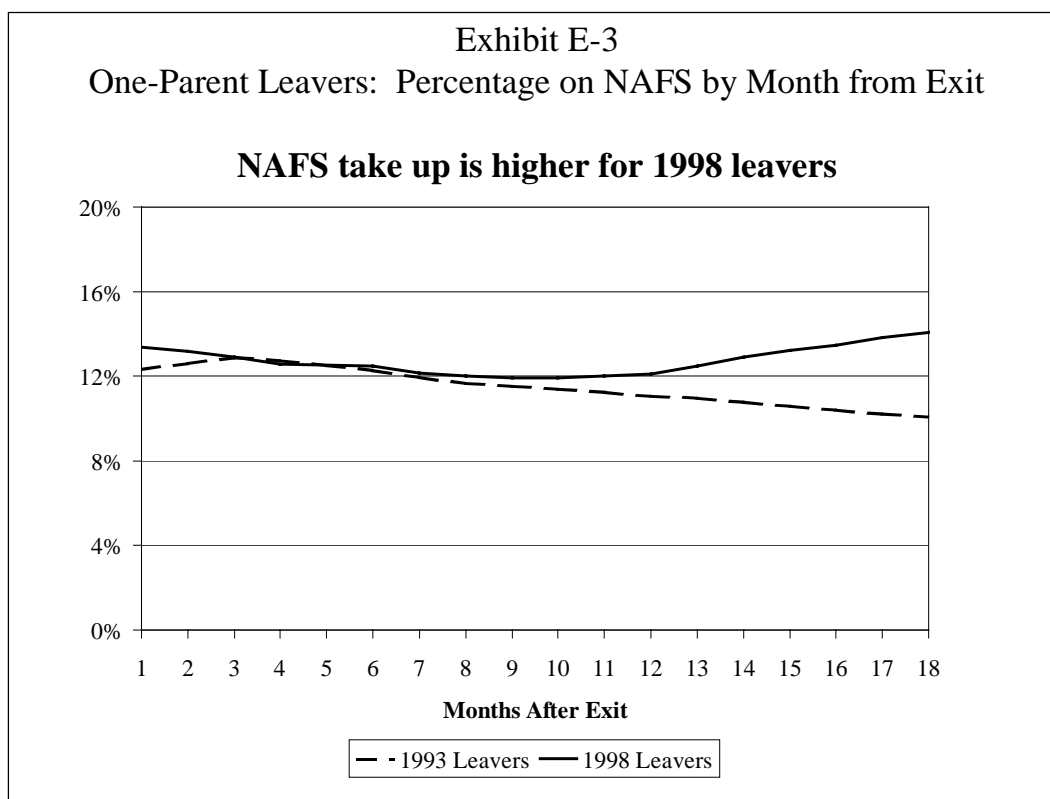
time limit on TANF receipt. Coupled with California's benefit structure, these policies result in a very small financial penalty, relative to the remaining partial grant, for families under sanction or hitting time limits in California. Sanctions and time limits are likely to play a much more important role in reducing welfare recidivism in states implementing full-family sanctions and hard time limits for all members of the TANF assistance unit.

Differences in the use of other forms of public aid by welfare leavers may also help explain the lower recidivism rate for the 1998 cohort. As we discuss below, the 1998 group had significantly higher take-up rates for Medi-Cal. While we do not have data on levels of private health insurance coverage for the three cohorts, this finding suggests that access to Medi-Cal may have played a role in reducing the incentives for the 1998 leavers to return to CalWORKs.

Low Take-Up Rate for Non-Assistance Food Stamps. We next examine the take-up of Non-Assistance Food Stamps (NAFS) by AFDC/CalWORKs leavers. Exhibit E-3 shows the percentage of one-parent leavers in the 1993 and 1998 cohorts (data for the 1988 group are not available) who received NAFS following exit from AFDC/CalWORKs.³ We can see that, although higher for 1998 leavers, take-up rates are low, never reaching 15 percent. Beginning about 12 months after exit, the gap between the two cohorts increases because the take-up rate for the 1998 leavers increases, whereas the rate for the 1993 cohort continues to decline. At 18 months after exit, 14 percent of 1998 one-parent leavers are receiving NAFS, compared to 10 percent of 1988 leavers. The pattern for two-parent and child-only leavers is similar, with the take-up rate somewhat higher for two-parent families and substantially lower for child-only cases (not presented in a separate exhibit).

The relatively low take-up rate for NAFS among all the case types may be due, in part, to the stigma sometimes associated with welfare and Food Stamps in particular because of its

³ The rate is calculated among families not receiving AFDC/CalWORKs or SSI/SSP.



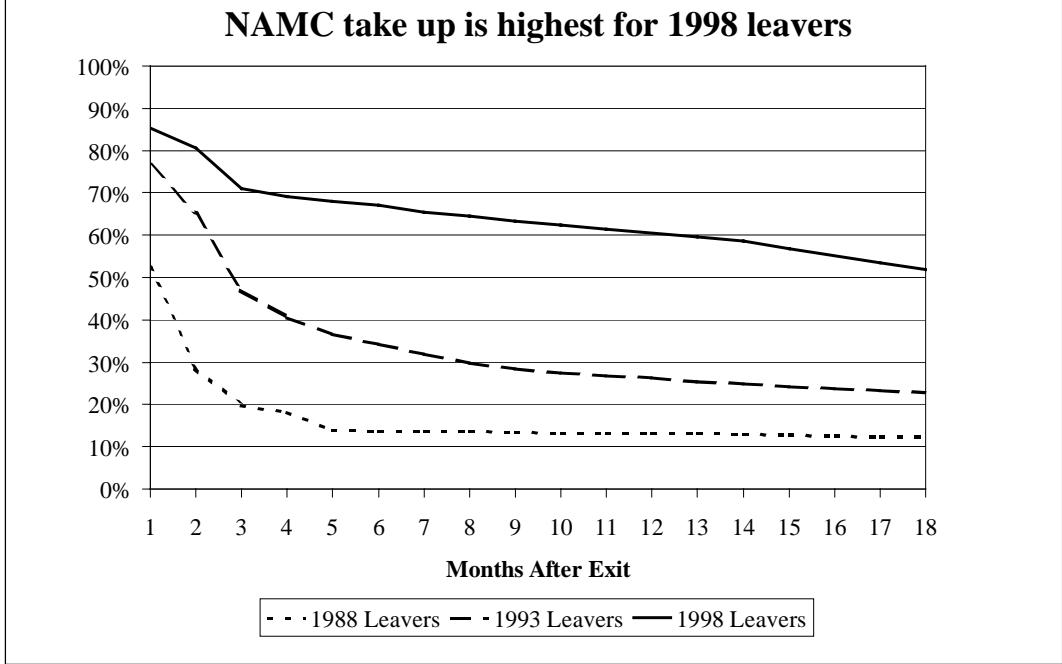
visibility compared to cash grants and public health insurance. Another possible explanation is insufficient information regarding eligibility for this benefit for persons leaving cash aid. We note, in this respect, that the county welfare departments face difficulties in transmitting post-exit benefit eligibility information to leavers because, in many cases, the only indication of the exit is when a recipient fails to submit the required forms to continue eligibility.

The low take-up rate for NAFS among the child-only cases may be due to the unique characteristics of this caseload. Parents who are undocumented immigrants, for example, may be reluctant to apply for additional government benefits or may be less likely to be aware of their eligibility for these benefits, due to less direct contact with the county welfare departments and language barriers.

Significant Increases in Medi-Cal Enrollment Among Recent CalWORKs Leavers.

Families leaving AFDC/CalWORKs are eligible for Medi-Cal under the Transitional Medi-Cal

Exhibit E-4
 One-Parent Leavers: Percentage on NAMC by Month from Exit



Program if they leave due to work, increased child support, or marriage, and may also be eligible if they meet the income requirements under certain other Medi-Cal categories. Exhibit E-4 shows the percentage of one-parent leavers in the three cohorts who were enrolled in Non-Assistance Medi-Cal (NAMC) by month relative to exit from cash aid.⁴ We can see that the earliest cohort had the lowest take-up rate, and the most recent cohort the highest. About 60 percent of the 1998 one-parent leavers were enrolled in Medi-Cal twelve months after exit from CalWORKs, which is more than double the rate of the 1993 leavers and more than four times the rate of the 1988 leavers. The patterns for the two-parent and child-only cases are similar to the one-parent leavers, with the two-parent rates a little higher and the child-only rates somewhat lower.

⁴ The rate is calculated among families not receiving AFDC/CalWORKs or SSI/SSP.

The relatively high enrollment rates in the first month following exit, and the subsequent sharp declines, are due to implementation of procedures pursuant to the *Edwards v. Kizer* court decision which granted continuing Medi-Cal eligibility to families leaving AFDC/CalWORKs until completion of a formal redetermination of each family's eligibility status by the county. We note that the rate drops less sharply for the 1998 leavers, which may be explained by the fact that during this period, redetermination of eligibility was delayed for a large number of cases (referred to as "Edwards Hold" cases), due to difficulties encountered in implementing new Section 1931(b) eligibility rules that became effective January 1998.

The changes in Section 1931(b) eligibility and the Edwards Hold phenomenon help to explain the higher take-up rate among the 1998 leavers. First of all, Section 1931(b) represented an expansion of eligibility for families not on CalWORKs (although to some extent it overlaps with the Medi-Cal Medically Needy category). Second, the automatic extension of eligibility for Edwards Hold cases tends to inflate Medi-Cal enrollment during the 18-month follow-up period for the 1998 leavers, compared to the earlier cohorts, because some of these cases will not be eligible once the redeterminations are completed.

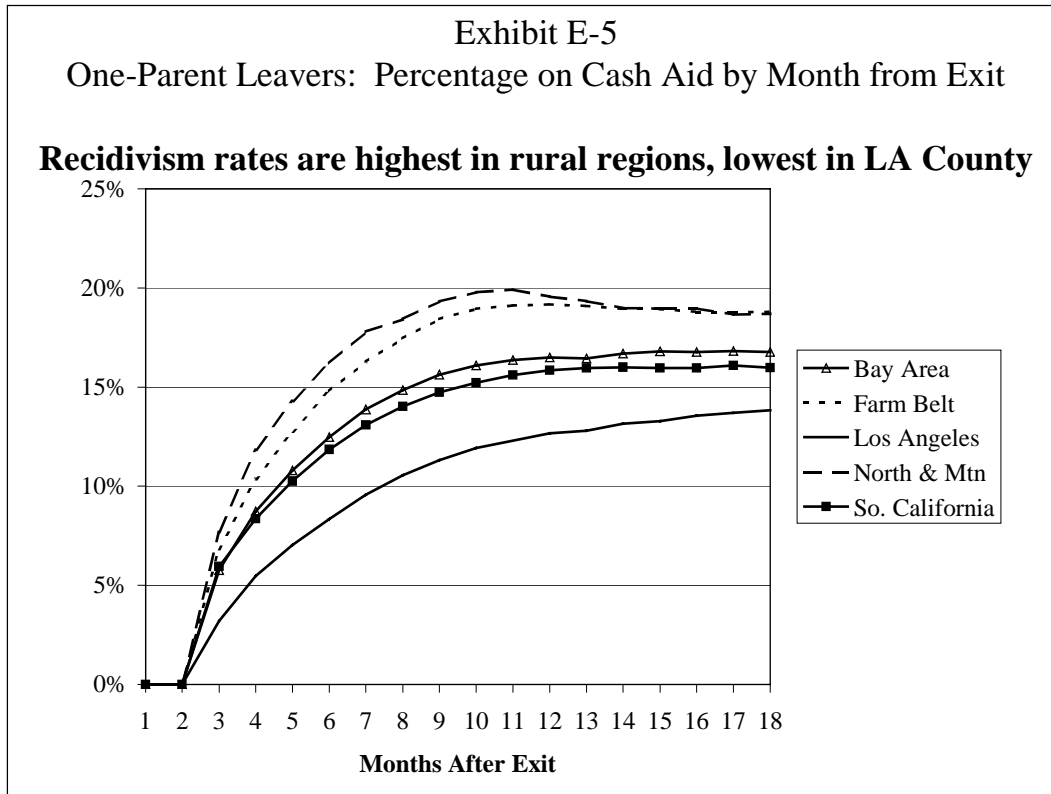
The higher take-up rate for the 1998 leavers may also be partly due to various actions implemented between 1996 and 1998 to increase participation in the Medi-Cal Program. These include legislative provisions to expand eligibility and administrative actions to expand outreach and encourage enrollment.

Finally, we note that in 1993-94 the state began to phase in a shift of Medi-Cal beneficiaries from fee-for-service enrollment to managed care plans. This was partly designed to address problems in access to health care under Medi-Cal because many physicians chose not to participate in the program. While many physicians continue to choose not to participate in Medi-

Cal, it is possible that improved access under managed care may have encouraged additional families in the 1998 cohort of welfare leavers to retain Medi-Cal coverage in those instances where they were eligible to do so.

SSI/SSP Take-Up Rate Is Lowest for Most Recent Welfare Leavers. We also reviewed the take-up rates for SSI/SSP, primarily to examine whether the implementation of more intense employment preparation activities under CalWORKs has led to the identification of adults or children with qualifying SSI disabilities. We find that the take-up rates for SSI are relatively low (under 5 percent for most cohorts and case types), and the 1998 leavers had the lowest rate among the three cohorts. Thus, there does not appear to be any support for the hypothesis that the expanded employment preparation activities under CalWORKs led to an increase in transitions to SSI.

CalWORKs Recidivism Highest in Rural Regions. As part of our analysis, we reviewed the regional variation in post-exit use of public assistance among 1998 leavers. The five regions consist of three urban areas – the Bay Area, Los Angeles and Other Southern California – and two rural areas – the Farm Belt and North and Mountain regions. As shown in Exhibit E-5, CalWORKs recidivism was highest in the rural regions, where high unemployment and “seasonal” use of cash aid probably played the biggest role. Recidivism was lowest in Los Angeles County, which may be partly explained by the relative changes in caseload composition leading up to 1998, whereby caseloads in the Bay Area and Southern California counties (excluding L.A.) may have shifted more towards families with significant barriers to work due to more rapid earlier caseload declines. Another possible explanation is the higher rate of enrollment in non-assistance Medi-Cal among leavers in Los Angeles County.



Food Stamps Take-Up Highest in Rural California. As Exhibit E-6 indicates, take-up of NAFS by welfare leavers is highest in the rural parts of California. It is possible that leavers in the rural areas had lower incomes due to the relatively weak economies in these regions, and therefore were more likely to be eligible for Food Stamps. Also, because a larger proportion of rural welfare leavers cycle on and off aid (reflecting the seasonal nature of economic activity in the rural regions), rural leavers may also tend to be more aware of the availability of NAFS benefits.

Medi-Cal Take-Up Highest in Counties With “Edwards Hold”. As Exhibit E-7 shows, Los Angeles County had the highest enrollment rate for non-assistance Medi-Cal (NAMC), followed by the Bay Area, due largely to the high proportion of “Edwards Hold” cases in the large urban counties. It is also possible that the implementation of managed care in these

Exhibit E-6

One-Parent Leavers: Percentage on NAFS by Month from Exit

NAFS take-up rates highest in rural regions, lowest in LA County

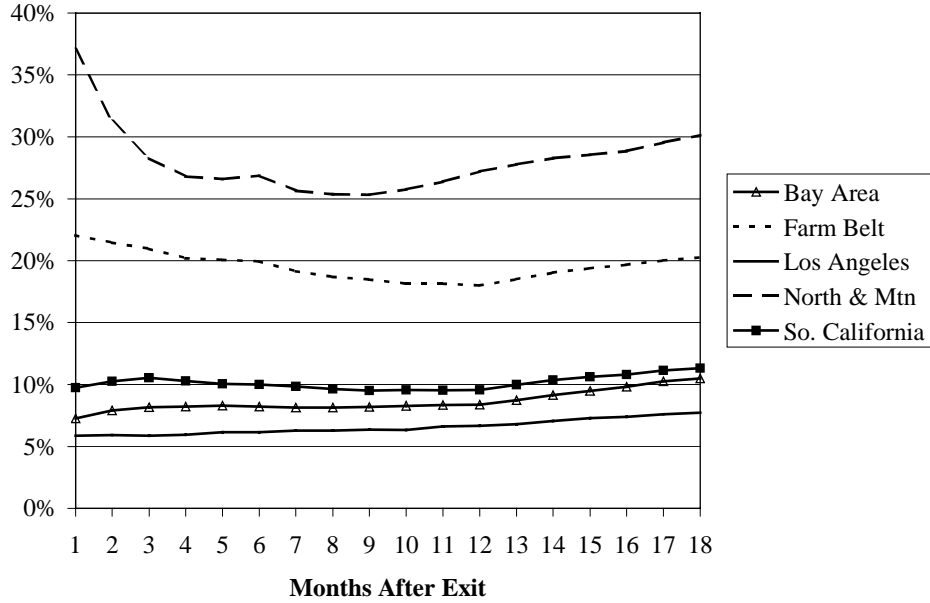
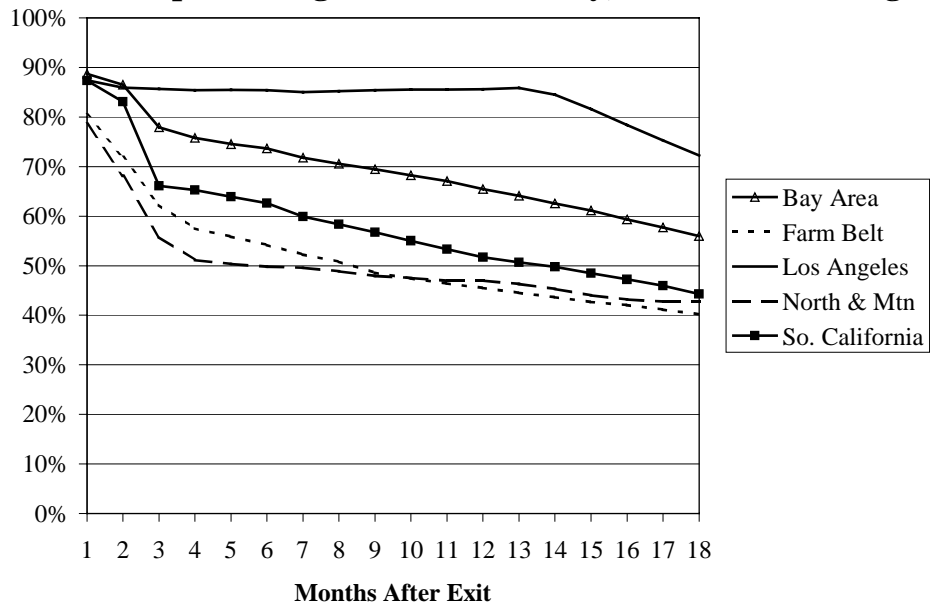


Exhibit E-7

One-Parent Leavers: Percentage on NAMC by Month from Exit

NAMC take-up rates highest in LA County, lowest in rural regions



counties may have improved access to Medi-Cal and indirectly led to a higher take-up rate of non-assistance Medi-Cal among leavers.

Post-Exit Aid Use Varies By Case Demographic Characteristics. We also analyzed the relationship between cash-aid recidivism and post-exit take-up of Food Stamps, Medi-Cal, and SSI/SSP and case demographic characteristics for the 1998 cohort of leavers. To summarize the major findings:

- CalWORKs recidivism is inversely related to the age of the case head, positively related to the higher number of children in the family, and positively related to the presence of younger children in the family. Families with African-American case heads are the most likely to return to aid, followed in order by Hispanic/Latino, White, and “other” (primarily Asian) families.
- Families with older case heads and more children are more likely to take up non-assistance Food Stamps.
- Families with older case heads and with Spanish-speaking, Hispanic/Latino case heads are more likely to take up non-assistance Medi-Cal benefits.
- Families in the “other” language (primarily Asian and Eastern European) and “other” ethnic (primarily Asian) categories have much higher post-exit rates of receipt of SSI/SSP.

Policy Implications

Our findings suggest that there may be a link between the lower recidivism rates and the higher Medi-Cal enrollment rates among the 1998 leavers. To the extent that this link is significant, it adds support for policy actions that would facilitate the provision of health

insurance for those leaving CalWORKs. While the Section 1931(b) rules represent one such policy that has already been adopted, we note that part of the increase in the enrollment rate among the recent cohort of leavers was the result of a temporary phenomenon – the Edwards Hold. Thus, some attention could be given to the development of additional policies that would facilitate Medi-Cal enrollment by CalWORKs leavers. We note, in this respect, that recent state policy initiatives move in this direction,⁵ but additional measures could be considered. One such policy, for example, would be to move from a required redetermination of Medi-Cal eligibility for CalWORKs leavers to a system that instead requires notification by the family if any eligibility-related circumstances have changed, similar to the process that exists for other non-CalWORKs families who qualify for Medi-Cal under Section 1931(b).

The potential link between managed care implementation (and its effect on improving access to primary care physicians) and higher Medi-Cal take-up rates among leavers is a finding that requires further research. If validated, it would provide an argument for making this transition from the fee-for-service delivery system, a policy that is currently being implemented in California.

The low take-up rates for Non-Assistance Food Stamps is consistent with our findings in other studies of CalWORKs leavers in selected counties in California, where it appeared that many of those leavers who had not applied for Food Stamps would have been eligible. This points to the need for improved means of transmitting information about this benefit to CalWORKs families, perhaps through the use of targeting strategies based on profiles of those most likely to fall into this category of recipients. Our findings suggest that such targeting include child-only cases. State policymakers may also want to consider adoption of the recently

⁵ Chapter 1088, Statutes of 2000 (SB 87) requires the Department of Health Services to adopt procedures to facilitate continued Medi-Cal coverage for former CalWORKs recipients, and the state is submitting a waiver request to the federal administration to expand health coverage to families up to 200 percent of poverty.

promulgated federal option to establish a Transitional Food Stamps Program for TANF leavers. Under this option, the benefits (Food Stamps coupons) would be fully funded by the federal government, while the administrative costs would be shared by the federal and state governments in the same manner as the existing Food Stamps Program.