



ILLINOIS FAMILIES STUDY

policy brief

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The importance of transitional benefits

Who loses Medicaid and food stamps, and what does it mean for staying off welfare?

Summary

Using administrative records and the Illinois Families Study survey, we find that the majority of those who left TANF in Illinois between September 1998 and September 2000 also lost Medicaid (56%) and food stamps (82%). Cook County residents and younger grantees were more likely to lose Medicaid and food stamps. Even after controlling for several factors including employment status at the time of TANF exit, those who lost both benefits were nearly three times more likely to return to TANF than those who kept them. Fifty-one percent of those who lost both benefits returned to TANF, compared to only 20% of those who kept both benefits. These findings indicate that Medicaid and food stamps are valuable supports that need to be made available to more TANF leavers.

Introduction

Given the low wages and poor job stability among many TANF leavers, transitional benefits such as Medicaid and food stamps are crucial components of welfare reform. The loss of Medicaid and food stamp benefits among TANF leavers has been well documented^{1,2}. In response to these trends, the Illinois Department of Human Services (IDHS) started implementing measures in 1999 designed to prevent TANF leavers from being automatically cut off from Medicaid³. These system enhancements culminated in a complete separation of TANF and Medicaid eligibility redetermination procedures in September 2000.

This policy brief draws upon administrative records and survey data from the 1999-2000 Illinois Families Study (IFS) survey to examine Medicaid and food stamp loss among TANF leavers in Illinois. The sample includes 797 adults who left TANF once between September 1998 and September 2000, completed the 1999-2000 IFS survey, and granted researchers permission

to obtain their administrative records. (It is important to note that all of these respondents left TANF by September 2000, the same month IDHS finalized the improvements that fully separated the processes for periodic checks of TANF and Medicaid eligibility. Future analyses will examine outcomes for more recent TANF leavers.) TANF exit was defined as a gap of at least two months in TANF receipt. Losing

Figure 1. **Percent of grantees who lost Medicaid and food stamps at TANF exit, 1998-2000** (n= 797)

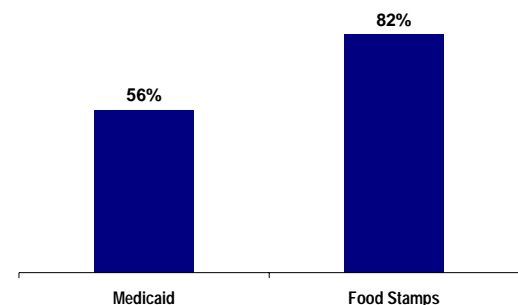


Figure 2. **Percent of grantees who lost Medicaid and food stamps at TANF exit, by region**

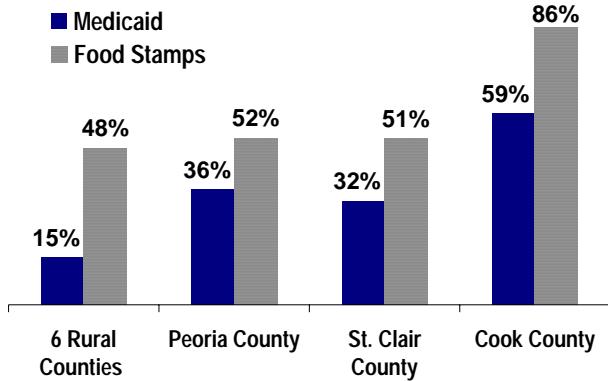


Figure 3. **TANF re-entry rates by continued receipt of Medicaid and food stamps at TANF exit**

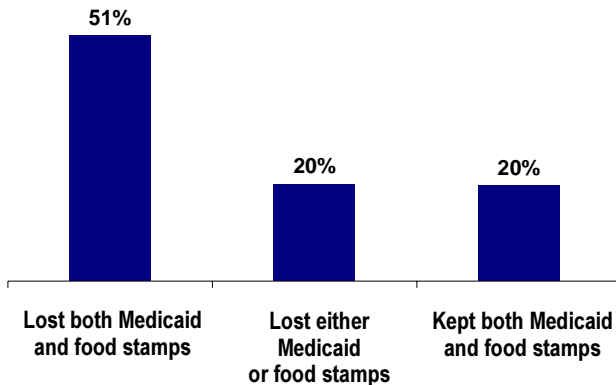
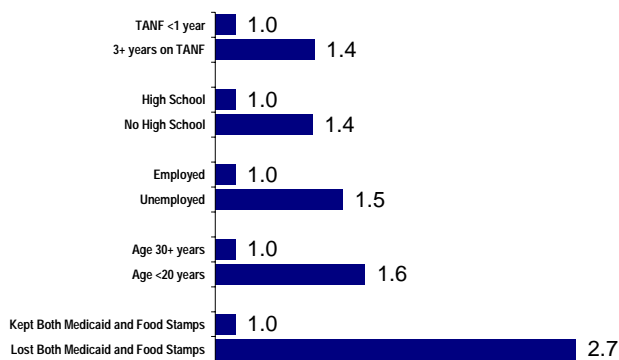


Figure 4. **Odds that respondent will re-enter TANF***



*Odds ratios of TANF re-entry (hazard ratios from Cox-regression)

Medicaid and/or food stamps was defined as not receiving each benefit at any point within two months after leaving TANF.

Who loses food stamps and Medicaid?

More than half of those who left TANF during this period lost these transitional benefits. Fifty-six percent lost Medicaid and 82% lost food stamps (see Figure 1).

There was significant variation by region, with residents of Cook County much more likely to lose these transitional benefits. Fifty-nine percent of Cook County residents lost their Medicaid, compared to only 15% of those in the six rural counties surrounding Peoria, 32% in St. Clair County, and 36% in Peoria County. Eighty-six percent of Cook County residents lost their food stamps, compared to 48% in the rural counties, 51% in St. Clair County, and 52% in Peoria County (see Figure 2).

In addition to regional variations, several other demographic, work, and welfare characteristics (race/ethnicity, age, employment status, education, and length of time on TANF) obtained from administrative records were examined to see which groups of leavers were most likely to lose their transitional benefits. Self-reports from survey questions asking respondents if they lost TANF due to a missed appointment at the welfare office or some other reason, and if they were aware of the availability of these transitional benefits, were also examined.

After controlling for these demographic, work, and welfare characteristics, the following groups were found to be significantly more likely to *lose Medicaid* when they left TANF⁴:

- Cook County residents
- Younger grantees (< 29 years)
- The unemployed
- Those without a high school diploma or GED
- Those who lost TANF due to a missed appointment
- Those who were unaware of Transitional Medicaid Assistance

Again controlling for demographic characteristics, the following groups were found to be significantly more likely to *lose food stamps* when they left TANF⁴:

- Cook County residents
- Younger grantees (20-29 years)
- Longer-term welfare recipients (3+ years on TANF/AFDC, current spell)

Do food stamps and Medicaid help families to stay off welfare?

Food stamps and Medicaid are transitional benefits that are intended to support families as they move from welfare to work. While some TANF leavers may not need or want these benefits, many others need them to make ends meet and attain job stability and self-sufficiency. In order to determine whether these transitional supports are in fact associated with ending welfare dependence, we examined the relationship between losing these benefits and re-entering TANF. The results indicate that keeping *both* benefits during the crucial transition period is a significant factor to prevent TANF re-entry. Figure 3 shows that only 20% of those who *kept both* Medicaid and food stamps returned to TANF, compared to 51% of those who *lost both* benefits.

Figure 4 shows the “odds ratio,” or odds that a respondent will re-enter TANF, controlling for other factors. (Only statistically significant odds ratios are displayed.) Respondents who lost both Medicaid and food stamps were *nearly three times* more likely to re-enter TANF than those who kept both of these benefits, even after controlling for other factors, including employment status at the time of TANF exit.

Overall, the following groups were found to be significantly more likely to *re-enter TANF*, after controlling for all of the demographic, work, and welfare characteristics listed above⁵:

- Those who lost both Medicaid and food stamps
- Younger grantees (<20 years)
- The unemployed
- Those without a high school diploma or GED
- Longer-term welfare recipients (3+ years on TANF/AFDC, current spell)

Conclusions

Medicaid and food stamp loss is a problem that affects many TANF leavers. Our analysis suggests that the more vulnerable groups of recipients are losing the very benefits that would support work and improve their chances of achieving independence from welfare. The strong relationship between keeping these benefits and staying off welfare indicates that Medicaid and food stamps help families to “get on their feet” and avoid returning to the rolls. These programs are clearly valuable work supports that will help welfare reform to be successful.

Policy implications

- Policymakers and administrators in Illinois and other states should ensure that TANF exit does not automatically lead to being cut off Medicaid or food stamps.
- The causes of regional variations in benefit losses should be examined and remedied, with special attention to Cook County residents.
- Case management and outreach efforts that help leavers retain benefits should be provided for vulnerable groups, such as younger grantees, longer-term welfare recipients, and grantees with less than a high school education.
- Recognizing the role of these benefits as “work supports,” these programs should be administered in a way that is convenient for working parents.
- Federal policymakers could expand enrollment in the programs by simplifying eligibility criteria and expanding outreach efforts.

Notes

1. Zedlewski, S.R. 2001. *Former Welfare Families Continue to Leave the Food Stamp Program*. Washington, D.C.: The Urban Institute. *Assessing the New Federalism* Discussion Paper.
2. *Losing Health Insurance: The Unintended Consequence of Welfare Reform*. 1999. Washington, D.C.: Families USA Foundation.
3. These measures included clarifications of procedures and enhancements to data systems, which assisted IDHS workers to make correct decisions.
4. Results of logistic regression. All results listed were found to be statistically significant at the 0.05 level.
5. Results of estimated hazard ratios from Cox-regression models. All results listed were found to be statistically significant at the 0.05 level.

This policy brief summarizes the results of analysis conducted by Bong Joo Lee (Chapin Hall Center for Children, University of Chicago) and Dan A. Lewis (Institute for Policy Research, Northwestern University).

About this study

The goal of the Illinois Families Study is to inform policymakers about how Illinois families have been faring since the implementation of welfare reform. The study is being conducted by a consortium of researchers from five Illinois universities: Northwestern University, Roosevelt University, Northern Illinois University, University of Illinois at Chicago, and the University of Chicago. The interviews are conducted by Metro Chicago Information Center (MCIC).

A total of 1,362 current and former welfare recipients from nine Illinois counties were interviewed at Wave 1 of the study (November 1999-September 2000). The overall response rate was 72%. All analyses are weighted to adjust for regional stratification and non-response. The study will continue to follow these families for six years.

For more information about the study:

www.northwestern.edu/IPR/research/IFS.html

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