

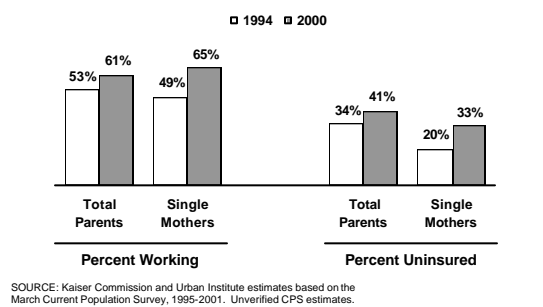
## Welfare and Work: How Do They Affect Parents' Health Care Coverage?

Federal and state welfare reform policies have promoted work among parents receiving welfare and discouraged families from relying on public assistance. At the same time, recognition of the important role health coverage plays for low-income working families has been growing. Yet as employment of low-income parents has risen, their health care coverage rates have fallen. Working parents whose wages do not lift them above the federal poverty line are the hardest hit with over 4 in 10 uninsured in 2000. For low-income working parents, lack of health insurance can be a major impediment to successful workforce participation.

### More Work, Less Coverage

Over the past several years, welfare policies, combined with a strong economy, have led poor parents – particularly single mothers – to enter the labor market in record numbers. While the number of poor parents (income below \$14,150/year for a family of three in 2000) declined from 9.6 million to 7.3 million between 1994 and 2000, the percent of poor parents who were working outside the home rose substantially, particularly for poor single mothers (employment rose by more than 30%). Most of the increase was in full-time work.

Figure 1  
Trends in Employment and Health Coverage of Poor Parents, 1994-2000

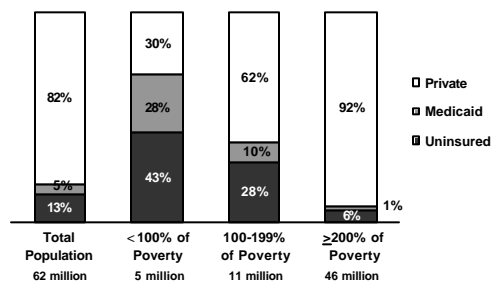


As employment rose, however, health coverage rates fell. Between 1994 and 2000, the portion of poor parents without coverage increased from 34% to 41% (Figure 1). The greatest rise in uninsurance occurred among poor single mothers, the group with the greatest rise in employment. Parents working at low wages experience extremely high rates of uninsurance—43% of poor working parents were uninsured, compared to 6% of those with incomes of 200% of poverty or more (Figure 2). Poor parents working full-time are more likely to be uninsured than those without jobs (44% vs. 31%).

While higher income Americans typically receive health coverage through employer-subsidized plans, only 3 out of ten poor working parents had employer coverage in 2000.

In 1998, only half of workers earning less than \$7 an hour were covered by plans offered by their own or their spouses' employer. Forty percent were not offered health insurance and an additional 10% turned down an offer of coverage, most likely due to cost.

Figure 2  
Health Insurance Coverage of Working Parents, by Income, 2000



SOURCE: Kaiser Commission and Urban Institute estimates based on the March 2001 Current Population Survey, 2002. Verified CPS estimates.

### The Experience of Parents Leaving Welfare

Coverage rates among parents leaving welfare show large gaps in employer coverage. In 1999, only one out of five parents had coverage through the workplace in the year after leaving welfare (Figure 3). Job-based coverage picked up considerably after one year, but still, even at a time when the economy was exceptionally strong, only 44% of parents who had been off welfare for more than a year had employer-based coverage.

Figure 3  
Health Insurance Coverage of Parents Leaving Welfare Within One Year After Exit, 1999



Note: Insurance categories do not add to 100% because some people had multiple sources of health insurance coverage.  
SOURCE: B. Garrett, Urban Institute Analysis of 1999 National Survey of America's Families.

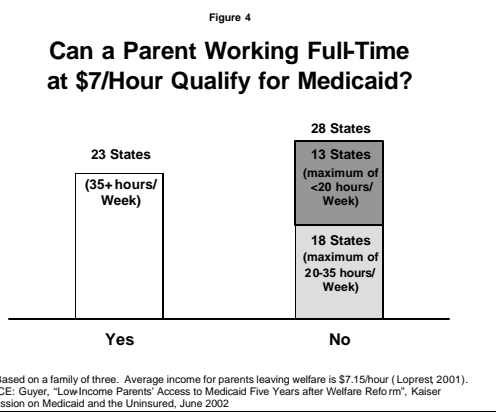
The same factors that contribute to low rates of job-based coverage for low paid workers are at play for women leaving welfare. Women who have left TANF generally earn low wages (averaging \$7.15 an hour) and frequently find work at retail or service firms where job-based coverage is less likely. They are typically new employees who routinely face waiting periods before they can obtain coverage. Many are entering the labor market for the first time or experiencing job transitions typical of the low-wage labor market. They

also face challenges in maintaining childcare and reliable transportation on limited budgets.

### State Medicaid Eligibility Levels Leave Many Working Parents without Coverage

Medicaid and the State Children's Health Insurance Program (SCHIP) offer coverage to most low-income children without job-based coverage. National minimum Medicaid eligibility standards for children, state interest in expanding above these levels, and enhanced federal matching payments for expansions have created a strong system for providing publicly-funded coverage to children. Most (84%) low-income uninsured children are eligible for Medicaid or SCHIP, although many remain unenrolled.

Medicaid coverage for parents is far more limited. There is no uniform national Medicaid minimum eligibility standard for parents. State-based minimum standards are quite low and, although states do have options to cover low-income parents more broadly through Medicaid, enhanced matching funds are generally not available. Even low earnings will put a family over the Medicaid eligibility standard in most states. The median income eligibility limit for working parents in 2001 was 69% of the poverty line (\$10,200 for a family of three). A parent in a family of three working full time at \$7/hour would not qualify for Medicaid in 28 states (Figure 4). In 13 states, the maximum hours a parent can work at \$7/hour and still qualify is less than 20 hours per week.



For parents who are already receiving Medicaid when they move into the workforce, Medicaid Transitional Medical Assistance (TMA) provides up to 12 months of coverage. TMA lets parents who have been receiving welfare and Medicaid take a job and retain coverage for a limited period of time. Under current federal law, authorization for TMA expires on September 30, 2002.

### Improving Medicaid and TMA's Ability to Cover Low-income Working Parents

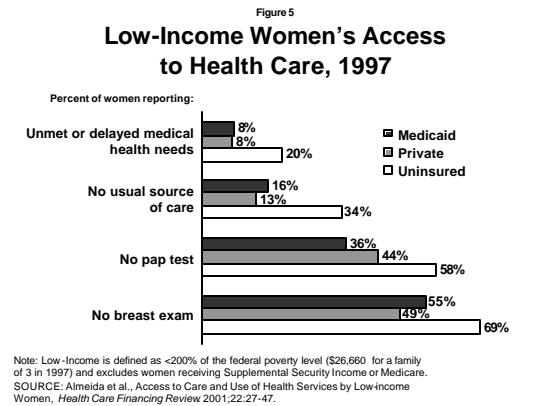
Medicaid is an important source of coverage for parents who cannot access job-based coverage. Some low-income working parents are eligible under current rules, but are not enrolled because they are unaware of their eligibility or are deterred from applying due to burdensome application rules, that have largely been dropped for children, but

remain for adults. Streamlined application and renewal procedures and outreach efforts like those implemented for children are needed to reach parents.

In addition, several options under Congressional consideration could broaden opportunities for states to make publicly funded coverage available to low-income parents with earnings, including continuing and improving TMA; enabling states to cover recent immigrant parents (currently, most immigrants cannot be covered with federal Medicaid or SCHIP funds for their first five years in the country); and making enhanced matching funds available to states to cover parents as well as children.

### Parent coverage promotes health, employment and children's enrollment

Expanding and strengthening coverage for low-income working parents has multiple benefits, including boosting children's enrollment. Studies also show that coverage matters: parents and children are less likely to have unmet medical needs and more likely to have a "medical home" if they have health insurance coverage. One study found that low-income women are 2.5 times more likely to report unmet or delayed health care as compared to those with either Medicaid or private coverage (Figure 5).



Health-related problems take their toll on low-income parent's ability to care for their families and to work and retain employment. Recent reports have highlighted the importance of coverage as a means of decreasing absenteeism and increasing work productivity. While coverage does not assure good health, it affords low-income parents access to care to help manage and address health problems, better care for their children and participate in the work force.

The lack of workplace health coverage for low-wage families heightens the importance of access to Medicaid. The rapid rise in employer premiums for health coverage threatens to place private coverage even further out-of-reach for low-income working families. With one-third of all low-income parents uninsured, assuring meaningful coverage for families transitioning from welfare to work, and for families with parents working at low-wages and in industries that do not provide health coverage, is an important national and state priority.