Trends in Spending on Social Assistance Over the Last 25 Years

• Did welfare reform (PRWORA, 1996) influence the trends?
• Did the federal government successfully shift responsibility for social assistance spending to state and local governments?
Table 1
Total Federal, State, and Local Spending by Program

Millions of Nominal Dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>Medicaid</th>
<th>AFDC/TANF</th>
<th>Food Stamps</th>
<th>SSI</th>
<th>EITC</th>
<th>GA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>25,781</td>
<td>13,019</td>
<td>9,576</td>
<td>8,435</td>
<td>2,033</td>
<td>1,386</td>
</tr>
<tr>
<td>1990</td>
<td>72,492</td>
<td>21,200</td>
<td>17,686</td>
<td>17,233</td>
<td>5,303</td>
<td>2,924</td>
</tr>
<tr>
<td>2000</td>
<td>207,195</td>
<td>14,490</td>
<td>20,341</td>
<td>35,066</td>
<td>25,800</td>
<td>2,649</td>
</tr>
<tr>
<td>2002</td>
<td>258,216</td>
<td>13,035</td>
<td>24,054</td>
<td>38,522</td>
<td>27,830</td>
<td>3,251</td>
</tr>
</tbody>
</table>

Real 1983 Dollars Per Capita

<table>
<thead>
<tr>
<th>Year</th>
<th>Medicaid</th>
<th>AFDC/TANF</th>
<th>Food Stamps</th>
<th>SSI</th>
<th>EITC</th>
<th>GA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>1374</td>
<td>694</td>
<td>510</td>
<td>450</td>
<td>108</td>
<td>74</td>
</tr>
<tr>
<td>1990</td>
<td>2217</td>
<td>648</td>
<td>541</td>
<td>527</td>
<td>162</td>
<td>89</td>
</tr>
<tr>
<td>2000</td>
<td>4276</td>
<td>299</td>
<td>420</td>
<td>724</td>
<td>532</td>
<td>55</td>
</tr>
<tr>
<td>2002</td>
<td>4973</td>
<td>251</td>
<td>463</td>
<td>742</td>
<td>536</td>
<td>63</td>
</tr>
</tbody>
</table>

Sources: Various issues of the Statistical Abstract of the United States, U.S. Department of Commerce, Bureau of the Census
Figure 1
Total Federal, State, and Local Spending by Program

[Graph showing spending trends from 1978 to 2002 for different programs, including AFDC/TANF, Food Stamps, EITC, and SSI - Total.]
Figure 2
Medicaid Spending

Year

Millions of Real 1983 Dollars
0 200 400 600 800 1000 1200 1400 1600

Federal
State and Local
Total
Figure 3
Average Monthly Recipients by Program

- EITC
- Medicaid


EITC: 1980-2002
Medicaid: 1984-2002
Food Stamps: 1984-2002
AFDC/TANF: 1984-2002
SSI: 1980-2002

Millions of People: 10, 20, 30, 40, 50, 60
<table>
<thead>
<tr>
<th>Year</th>
<th>Public Welfare</th>
<th>Health + Hospitals</th>
<th>Higher Education</th>
<th>Elementary and Secondary Education</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>19.4</td>
<td>7.8</td>
<td>12.3</td>
<td>21.8</td>
<td>38.7</td>
</tr>
<tr>
<td>1985</td>
<td>19.5</td>
<td>8.0</td>
<td>13.9</td>
<td>21.0</td>
<td>37.7</td>
</tr>
<tr>
<td>1990</td>
<td>20.7</td>
<td>8.4</td>
<td>13.2</td>
<td>20.7</td>
<td>37.1</td>
</tr>
<tr>
<td>1995</td>
<td>26.6</td>
<td>8.2</td>
<td>12.2</td>
<td>19.4</td>
<td>33.6</td>
</tr>
<tr>
<td>2000</td>
<td>24.8</td>
<td>7.8</td>
<td>12.5</td>
<td>21.0</td>
<td>34.0</td>
</tr>
<tr>
<td>2003</td>
<td>26.9</td>
<td>7.6</td>
<td>12.5</td>
<td>20.3</td>
<td>32.7</td>
</tr>
</tbody>
</table>

Source: U.S. Census of Governments
<table>
<thead>
<tr>
<th>Year</th>
<th>Medical vendor payments</th>
<th>Cash Assistance</th>
<th>Other Public Welfare</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>8.3</td>
<td>3.3</td>
<td>7.8</td>
</tr>
<tr>
<td>1985</td>
<td>9.3</td>
<td>2.8</td>
<td>7.4</td>
</tr>
<tr>
<td>1990</td>
<td>11.1</td>
<td>2.4</td>
<td>7.2</td>
</tr>
<tr>
<td>1995</td>
<td>16.4</td>
<td>2.1</td>
<td>8.1</td>
</tr>
<tr>
<td>2000</td>
<td>15.9</td>
<td>1.2</td>
<td>7.7</td>
</tr>
<tr>
<td>2003</td>
<td>18.1</td>
<td>1.0</td>
<td>7.8</td>
</tr>
</tbody>
</table>

Source: U.S. Census of Governments
Findings: Trends in Spending

- Medicaid, SSI and EITC grew rapidly; resulting in a remarkable shift toward the federal government
- AFDC/TANF declined post welfare reform, even through the 2001 recession
- Cash assistance comprised a meager part of state budgets; Medicaid contributed a large and growing share
Evaluating TANF: What Did (or Didn’t) Welfare Reform Accomplish?

Rebecca M. Blank
University of Michigan
December 2005
State TANF programs

- Increased welfare-to-work efforts
- Increased earnings disregards
- Enforced sanctions
- Established time limits
- Few cash benefit changes

Result: State and federal welfare dollars for noncash assistance rose from 23% in 1997 to 56% in 2002; proportion of money spent on direct cash assistance fell from 77% to 44%.
Other Program Changes

- Child care subsidies rose
- Declines in AFDC led to initial declines in Food Stamp and Medicaid usage (although other Medicaid changes had delinked it with cash assistance). These programs have made changes to better serve working low income families.
- EITC increases
- Minimum wage increases
Also...

A very strong economy between 1995-2000 assisted states in their efforts to move women off welfare and into work.
Figure 1

Total AFDC/TANF Caseloads

Note: 2004 data is through June of 2004.
Source: Website for Agency for Children and Families, Department of Health and Human Services (http://w w w .acf.dhhs.gov)
Figure 3
Percent of Single Mothers Reporting Work During the Year

Source: Author's tabulations of the March Current Population Survey
Poverty Rates in Total and Among Single Mother Households

Source: U.S. Bureau of the Census
### Table 1
**Single Mothers’ Income Composition**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Income (in 2000 dollars)</th>
<th>Public Assistance</th>
<th>Own Earnings</th>
<th>Other Earnings</th>
<th>Other Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>$20,417</td>
<td>23.82%</td>
<td>49.03%</td>
<td>5.49%</td>
<td>21.66%</td>
</tr>
<tr>
<td>1990</td>
<td>18,412</td>
<td>22.63</td>
<td>53.32</td>
<td>4.15</td>
<td>19.90</td>
</tr>
<tr>
<td>1995</td>
<td>20,026</td>
<td>16.46</td>
<td>56.52</td>
<td>3.63</td>
<td>23.39</td>
</tr>
<tr>
<td>2000</td>
<td>23,654</td>
<td>5.27</td>
<td>68.77</td>
<td>4.19</td>
<td>21.77</td>
</tr>
<tr>
<td>2001</td>
<td>23,741</td>
<td>4.71</td>
<td>67.56</td>
<td>4.29</td>
<td>23.45</td>
</tr>
<tr>
<td>2002</td>
<td>23,805</td>
<td>4.45</td>
<td>67.18</td>
<td>3.98</td>
<td>24.40</td>
</tr>
</tbody>
</table>

Note: Total income is the mean dollar value (in 2000 dollars) before taxes. Public Assistance is composed primarily of AFDC and TANF benefits. These calculations are pre-tax and do not include the inputed value of any in-kind benefits.
Key missing information in these calculations:

- Work expenses
- Tax and transfer benefits
- Cross-household transfers
Follow welfare reform...

Very substantial declines in welfare usage, increases in work, and increases in overall income.

In a slower economy these gains have been eroded but are still substantial.

It’s not entirely clear how much of this was due to welfare reform, by itself, versus the economy and other policy changes.
What Big Questions About Welfare Reform Remain Unanswered?

- Interpreting the Caseload Decline and Employment increase
  - Both changes were far greater than anyone would have predicted
  - Uncertainty about why such a large changes occurred
    * Synergies?
    * Behavioral shifts?
    * Misinformation?
What Big Questions About Welfare Reform Remain Unanswered?

- The Effects of an Economic Slowdown in the new Policy Regime?
  So far very limited effects.
  * Is this the fulfillment of the promise of welfare reform?
  * Is this just a mild slowdown?
  * Are we missing key measures of economic pain?
What Big Questions About Welfare Reform Remain Unanswered?

- Relation of Assistance Programs to Family Composition & Fertility
  Major goal of welfare reform, but timing of changes doesn’t match timing of policy change
  Current research investigating policy/marriage/fertility links is still limited and contradictory
Conclusions

- The exact effects of welfare reform, by itself, remain unsettled. That said, substantial behavioral changes have occurred.
- Transformation of the public assistance system is still a work-in-progress. A work-oriented welfare program is still only partially implemented. Need to pay attention to health care, child care, and wage support.
- Role of economy remains key
The Changing Role of Medicaid: From Babies to Boomers and Beyond

Leemore Dafny
Northwestern University
The Nation’s Health Dollar, 2000

- Private Insurance: 34%
- Other Public: 12%
- Other Private: 6%
- Medicaid and SCHIP: 15%
- Medicare: 17%
- Out-of-pocket: 15%

Total National Health Spending = $1.3 Trillion
Medicaid Spending by Eligibility Category, 1990-2000

- **1990**
  - 65+ (33%)
  - AFDC/TANF (38%)
  - Disabled (27%)
  - Other (2%)
  - Total: 65 Billion

- **1995**
  - 65+ (30%)
  - AFDC/TANF (41%)
  - Disabled (2%)
  - Other (2%)
  - Total: 120 Billion

- **2000**
  - 65+ (26%)
  - AFDC/TANF (26%)
  - Disabled (43%)
  - Other (2%)
  - Total: 168 Billion

Legend:
- Blue: 65+
- Green: AFDC/TANF
- Red: Disabled
- Light Blue: Other

Source: [Data Source]
Growth in Spending Per Enrollee, 1996-2004: Private Insurance, Medicaid, and Medicare

-10.0%  -5.0%  0.0%  5.0%  10.0%  15.0%  20.0%


Cumulative Increase

Private

Medicaid

Medicare

93%
26%
45%
Medicaid Managed Care Enrollment, 1996-2001

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of People (in Millions)</th>
<th>% Managed Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>13.3</td>
<td>40%</td>
</tr>
<tr>
<td>1997</td>
<td>15.3</td>
<td>48%</td>
</tr>
<tr>
<td>1998</td>
<td>16.6</td>
<td>54%</td>
</tr>
<tr>
<td>1999</td>
<td>17.8</td>
<td>56%</td>
</tr>
<tr>
<td>2000</td>
<td>18.8</td>
<td>56%</td>
</tr>
<tr>
<td>2001</td>
<td>20.8</td>
<td>57%</td>
</tr>
</tbody>
</table>
Total Medicaid Expenditures by Type of Service, 1999

- Institutional Long Term Care: 29%
- Long Term Care: 14%
- Capitated Payments and PCCM* Services: 14%
- Home Health & Other Community-Based Services**: 17%
- Inpatient & Outpatient Hospital: 19%
- Clinic, Lab & X-ray: 5%
- Prescription Drugs: 11%
- Physicians & Other Practitioners: 5%

Total = $152 Billion in FY 99
Medicaid Spending for Long-Term Care, 1992-1998

Home and community-based services are a growing share of Medicaid’s long term care spending.
Controlling Spending on Long-Term Care

- **Short-term policies**
  - Give block grants to states to encourage creative solutions/reduction in waste and fraud
  - Provide tax deductions or credits for elder care
  - Enroll elderly and disabled in managed care

- **Long-term policies**
  - Facilitate private long-term care insurance markets
  - Improve health of men
BACKUP SLIDES
Table 3.25
Medicaid Beneficiaries and Payments by Eligibility Group, 1999

Payments for the elderly, blind and disabled account for 71 percent of total payments.

Note: (1) Totals may not equal 100% due to rounding; (2) “Payments” describe direct Medicaid vendor payments and Medicaid program expenditures for premium payments to third parties for managed care (but exclude DSH payments, Medicare premiums and cost sharing on behalf of beneficiaries dually enrolled in Medicaid and Medicare); (3) disabled children are included in the aged, blind & disabled category shown above.

Source: CMS, CMSO, Medicaid Statistical Information System.
Table 3.30
Births Financed by Medicaid as a Percent of Total Births by State, 1998

Medicaid pays for about 1 in 3 of the nation’s births.

Note: CO, GA 1997 data; KY, NJ, VT 1996 data.

Table 3.31
Medicaid Beneficiaries by Eligibility Group, 1975-2001

Children historically represent the largest eligibility group of Medicaid beneficiaries.

*Note: (1) In 1998, a large increase occurred in the number of persons served which is mainly the result of a new reporting methodology of classifying payments to managed care organizations; FY 1998 was the first year capitation payments were counted as a service for purposes of the HCFA 2082 reporting, and thus all managed care enrollees were counted as individuals receiving services; this new methodology probably has the greatest effect on the reported number of children; (2) the term “adults” as used above refers to non-elderly, non-disabled adults; (3) disabled children are included in the blind & disabled category shown above. **The Other category was dropped in 1999.

Source: CMS, CMSO, Medicaid Statistical Information System.
Table 3.35
State Children’s Health Insurance Program
Spending and Enrollment, 1998-2001

The SCHIP program covers a growing number of uninsured low-income children.

<table>
<thead>
<tr>
<th></th>
<th>Spending</th>
<th>Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dollars in Millions</td>
<td>Ever enrolled</td>
</tr>
<tr>
<td></td>
<td>$0.2</td>
<td>$1.1</td>
</tr>
</tbody>
</table>

*Note: Ever enrolled in SCHIP during the year, not a point in time estimate.

Table 3.36
State Children’s Health Insurance Program
Plan Type by State, 2002

Plan activity as of October 2002

Number of Approved Separate State Child Health Plans: 16 (AZ, CO, DE, GA, KS, MT, NC, NV, OR, PA, UT, VT, VA, WA, WV, WY)
Number of Approved Medicaid Expansions: 21 (AK, AS, AR, CNMI, DC, GU, HI, ID, LA, MA, MN, MO, NE, MN, OH, OK, PR, RI, SC, TN, VI, WI)
Number of Approved Combination Plans: 19 (AL, CA, CT, FL, IA, IL, IN, KY, MA, MD, ME, MI, MS, ND, NH, NJ, NY, SC, TX)

Source: CMS Center for Medicaid and State Operations.
Table 3.37
State Children’s Health Insurance Program Enrollment by Plan Type, 2001

Most SCHIP beneficiaries received services in states that combined a State Children’s Health Insurance Program with a Medicaid Expansion.

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separate State Children’s Health Program</td>
<td>828,000</td>
</tr>
<tr>
<td>Medicaid Expansion</td>
<td>598,000</td>
</tr>
<tr>
<td>Combined SCHIP &amp; Medicaid Expansion</td>
<td>3,174,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4.6 Million</strong></td>
</tr>
</tbody>
</table>

The Increased Role of SSI in Addressing Child Poverty

Melissa S. Kearney
Brookings Institution

IPR Policy Briefing
Chicago, IL
December 5, 2005
Supplemental Security Income (SSI)

- Since 1972, SSI has provided cash assistance to aged, blind, and disabled persons below federally mandated income/asset limits. Historically, adults have been overwhelming majority.

- Current year - benefit payments of $38B to 7.1 million recipients, of which $7B are to 1.04 million children

- 2004 avg child benefit payment $506/mo ($490 fed, $66 state)

- SSI now a very important government program for low-income families—tremendous growth in child participation.

- February 1990, *Sullivan v. Zebley* – effect of decision was to loosen eligibility criteria.

- Number of children on SSI increased from 265,000 at time of decision to 955,000 in 1996. (Tightened under PRWORA)
Figure SSI 1. SSI Recipients, by Age: 1974–2003

### SSI, Welfare, and Poverty 1990-2003

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SSI</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of children on SSI</td>
<td>309,000</td>
<td>955,000</td>
<td>847,000</td>
<td>959,000</td>
</tr>
<tr>
<td>Percent of children on SSI</td>
<td>0.50%</td>
<td>1.40%</td>
<td>1.20%</td>
<td>1.30%</td>
</tr>
<tr>
<td>Total number of (fed) SSI recipients (000s)</td>
<td>4,817</td>
<td>6,614</td>
<td>6,602</td>
<td>6,902</td>
</tr>
<tr>
<td><strong>Welfare</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of children on AFDC/TANF (000s)</td>
<td>7,781</td>
<td>8,355</td>
<td>4,339</td>
<td>4,004</td>
</tr>
<tr>
<td>Percent of children on AFDC/TANF</td>
<td>12.10%</td>
<td>11.90%</td>
<td>6.10%</td>
<td>5.50%</td>
</tr>
<tr>
<td>Total AFDC/TANF recipients (000s)</td>
<td>11,497</td>
<td>12,156</td>
<td>6,043</td>
<td>5,432</td>
</tr>
<tr>
<td><strong>Poverty</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of children in poverty</td>
<td>13.4M</td>
<td>14.5M</td>
<td>11.6M</td>
<td>13.0M</td>
</tr>
<tr>
<td>Percent of children in poverty</td>
<td>20.60%</td>
<td>20.50%</td>
<td>16.20%</td>
<td>17.80%</td>
</tr>
</tbody>
</table>
Ratio of AFDC to SSI-child families
**SIPP data on households with children**

- Now as many children in households with SSI as TANF.
- Average SSI income much higher.
- Income, earnings, poverty outcomes much better in SSI households.

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AFDC</td>
<td>SSI</td>
</tr>
<tr>
<td>% of Children</td>
<td>10.80%</td>
<td>2.80%</td>
</tr>
<tr>
<td>% with Any SSI</td>
<td>11.40%</td>
<td>100.00%</td>
</tr>
<tr>
<td>% with Any AFDC / TANF</td>
<td>100.00%</td>
<td>39.50%</td>
</tr>
<tr>
<td>Avg SSI Income</td>
<td>$237</td>
<td>$1,866</td>
</tr>
<tr>
<td>Avg AFDC / TANF Income</td>
<td>$2,047</td>
<td>$816</td>
</tr>
<tr>
<td>Mean household earnings</td>
<td>$2,389</td>
<td>$5,559</td>
</tr>
<tr>
<td>Mean total income</td>
<td>$5,301</td>
<td>$9,951</td>
</tr>
<tr>
<td>Poverty Ratio 0-49%</td>
<td>35.90%</td>
<td>6.10%</td>
</tr>
<tr>
<td>Poverty Ratio 50-99%</td>
<td>40.60%</td>
<td>36.20%</td>
</tr>
</tbody>
</table>
Shifting from welfare to SSI

- States have always had incentive to move eligible recipients from AFDC to SSI; incentive stronger under TANF.
- Individuals in states with low-AFDC benefits have always had incentive to switch to SSI; incentive stronger under welfare reform.

- Academic research confirms that switching increased post-Zembley and that switching more prevalent in low-AFDC benefit states (Kubik, 1999; Garrett and Glied, 2000); in states aggressively pursuing welfare reform (Schmidt and Sevak, 2004); and in states experiencing fiscal distress (Kubik, 2003).

- Much research on impacts of AFDC; Duggan and Kearney (2005) investigate impact of child SSI participation on household outcomes.
Impact of Child SSI on Household Income
(Duggan and Kearney, 2005)

*Three months after a child in the household enrolls in SSI…*

- Total household SSI income increases by about $570/month
- Total unearned income increases by about $510/month (some offset of welfare/FS)
- No observed reduction earnings
- Total household income increases by at least as much as increase in unearned income.

*So, for families who enroll a child on SSI, there is a net increase in income. But does it have an impact on poverty?*

- Depends on how needy families are
- Depends on whether SSI transfer provides enough money
Impact of Child SSI on Child Poverty
(Duggan and Kearney, 2005)

Three months after a child in the household enrolls in SSI...

- 13.2 pp reduction in probability that family lives in poverty
- 11.9 pp reduction in probability that household lives <50% of poverty threshold
- For 10 kids enrolled in SSI, number of children in poverty falls by 2.4.
- For 10 kids enrolled in SSI, number of children in severe poverty falls by 3.4 and number of people in poverty falls by 5.1.

Effects are most pronounced for households that were previously enrolled in AFDC/TANF! (24% of our households were on AFDC in wave before kid SSI).

For every 10 kids who enroll on SSI....

- Number of kids in poverty falls by 4.64
- Number of kids in severe poverty falls by 6.9
- Number of people in severe poverty falls by about 10
“Back of the envelope” calculations

From 1990 - 2003 ~ 650,000 additional children on SSI. Multiplying these by our estimated impacts suggests that because of child SSI participation…

- 156,000 fewer kids in poverty
- 241,000 fewer kids in severe poverty
- 356,000 fewer people in severe poverty

Sizable numbers! From 1990 to 2003: approx 400,000 fewer children in poverty.

Understates full impact of program, because this only considers child SSI receipt.
Change for the better?

- Effective anti-poverty program for those who participate – not a “leaky” bucket
- Federal redistribution especially benefits children in poor states
- Trade-off: more money to a more finely-targeted group; limited potential as general anti-poverty program as only families with a disabled child qualify (9% of 5-15 yr olds living in poverty are identified as “disabled” in census)