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The Impact of Welfare Reform on Health Insurance Coverage in Rural Areas

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Introduction

The Personal Responsibility and Work Opportunity Act of 1996 (PRWOA, often simply called "welfare reform") led to profound changes in the Aid to Families with Dependent Children (AFDC) program, which was renamed the Temporary Assistance to Needy Families (TANF) program in the process. Those changes included removing millions of persons from eligibility for direct public assistance, which in previous years would have meant loss of eligibility for Medicaid as well. However, the PRWOA eliminated the link between welfare (now TANF) and Medicaid. Despite the clear intent to minimize the impact on Medicaid and therefore on financial access to health care services, did PRWOA contribute to increases in the number of uninsured Americans? Have there been particular consequences for rural residents?

Key Findings

- A substantial percentage of persons who left the AFDC program after reform became uninsured.
- Former AFDC recipients in rural areas were more likely than urban counterparts to lose insurance coverage.
- Insurance loss was more likely for those who gained employment than for those who remained unemployed.

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Reasons to Expect Impacts on Health Insurance Status

Before passage of the PRWOA, intense political debate focused on the effects of changes in the AFDC program on Medicaid coverage rates. In fact, the legislation was written to explicitly protect Medicaid recipients from losing their Medicaid coverage. However, there are reasons to expect that former TANF recipients and low-income persons would still be likely to lose their health insurance coverage as a result of the legislation (Borjas, 2002; Davidson, 2000). Specifically, we hypothesized that most people who moved from welfare into employment would likely obtain entry-level positions with low earnings, positions that are not likely to be accompanied by employer-subsidized health insurance (Ziller et al., 2003). In addition, the welfare reform legislation required that recipients be granted 6 to 12 months of Medicaid coverage during the transition to work (Garrett & Holahan, 2000). However, we hypothesized that at the end of that transition, the recipients may be likely to join the ranks of the uninsured. Further, former AFDC recipients will be dropped from the welfare rolls in the future as they reach the five-year lifetime limit on welfare benefits, and when that happens, we hypothesized that they would be likely to lose their health insurance. Finally, we hypothesized that all these factors would be more likely to impact rural persons harder than urban persons, because rural workers earn lower wages than urban workers, and low-wage jobs in rural areas are less likely to be accompanied by health insurance (Ziller et al., 2003).

For these reasons, we explored whether people who transition off of welfare acquire private health insurance or continue Medicaid coverage and whether the outcome is more likely to occur in rural areas than in urban areas.

Data And Methods

To explore how welfare reform has impacted the health insurance coverage of welfare recipients and other low-income persons over the period when it was phased in, we used the Survey of Program Dynamics (SPD), a longitudinal database well-suited for the task. The SPD, compiled by the U.S. Census Bureau, was used to estimate how many low-income rural and urban persons remained insured and how many became uninsured from 1996 to 1999. This research focused on the key variables of employment status, insurance status (Medicaid, private, or other public), and receipt of government aid (e.g., TANF, public assistance). For those persons who became uninsured, we sought to determine the factors associated with loss of health insurance coverage, including the timing of the loss of Medicaid coverage, when and whether they had access to employer coverage, and whether the loss of coverage coincided with changes in TANF coverage.

As an additional benchmark to this longitudinal analysis, we used the Current Population Survey to examine the recent history of uninsurance rates and TANF coverage rates in rural and urban areas. We compared uninsurance rates before and after the period when welfare

Table 1. Change in Health Insurance Status, 1992-1993 to 1999, by Urban and Rural Status, Income, and Welfare Coverage (Percentages are Weighted)

Characteristics at start of survey	Insured both years	Uninsured both years	Lost insurance	Gained insurance	N
Rural					
No public assistance	84%	4%	7%	5%	13,621
AFDC	75%	0%	25%	0%	327
Other type of public assistance	77%	6%	13%	4%	70
<100% of poverty line	66%	9%	14%	11%	2,151
101-199% of poverty line	78%	5%	9%	8%	4,217
200% or more of poverty line	92%	1%	5%	2%	7,650
Urban					
No public assistance	87%	3%	6%	4%	35,186
AFDC	79%	0%	21%	0%	759
Other type of public assistance	80%	2%	11%	8%	196
<100% of poverty line	69%	7%	15%	9%	4,165
101-199% of poverty line	77%	5%	10%	8%	8,152
200% or more of poverty line	93%	1%	4%	2%	23,824
Rural AFDC recipients					
Working in 1999	72%	0%	28%	0%	210
Not working in 1999	80%	0%	20%	0%	103
Urban AFDC recipients					
Working in 1999	74%	0%	26%	0%	451
Not working in 1999	89%	0%	11%	0%	266
Rural poor (<100% poverty line)					
Working in 1999	54%	13%	20%	14%	835
Not working in 1999	70%	7%	11%	12%	867
Urban poor (<100% poverty line)					
Working in 1999	54%	11%	21%	14%	1,467
Not working in 1999	73%	7%	13%	7%	1,573

Source: U.S. Census Bureau, Survey of Program Dynamics.

reform was enacted (1995 and 2005), for the low-income population (population below the official poverty line) in general and the population specifically eligible for the AFDC or TANF programs.

Results

Table 1 presents the results of analysis of low-income individuals over the period before and after welfare reform (roughly 1992 through 1999). As noted above, we focused on two subgroups of the rural and urban population—low-income persons and persons on public assistance.

Table 1 shows that about 25% of rural persons who were on the AFDC program and insured in 1992–93 had lost insurance by 1999. This percentage is larger than the 21% of urban AFDC recipients who lost insurance coverage. This difference shows that despite the PRWOA's stated goal of protecting those who left welfare from loss of health insurance, a

large percentage of AFDC recipients in 1992–93 actually did lose their health insurance by the end of the observation period, and a slightly higher percentage of rural persons lost coverage than urban persons.

AFDC recipients in 1992–93 who subsequently were able to obtain work were more likely to lose health insurance than were those who did not obtain work by 1999. For example, while 28% of rural AFDC recipients in 1992–93 who were working in 1999 lost their health insurance by 1999, only 20% of those rural AFDC recipients who were not working in 1999 had lost their health insurance. Similar percentages for urban AFDC beneficiaries were 26% and 11%, respectively.

These findings reflect the results of other studies (Garrett & Holahan, 2000; Pati et al., 2002; Weil & Holahan, 2001; Families USA, 1999). The likely explanation for these findings is that former welfare recipients were finding work, but the jobs that they found did not include health insurance, and efforts to extend Medicaid coverage after AFDC recipients left the program did not work.

Because loss of health insurance among these low-wage workers could have reflected an underlying trend in labor markets, we compared the results for AFDC recipients to all low-income persons in rural and urban areas (see Table 1). While roughly 15% of rural and urban low-income persons (those with household income less than 100% of the poverty line) lost their insurance coverage between 1992–93 and 1999, about 10% of low-income persons also gained insurance over this same period (see Table 1). This finding is in contrast to the results for AFDC recipients, who were much more likely to lose coverage than to gain it, and suggests that welfare reform was the significant event impacting the loss of insurance coverage for AFDC recipients.

Baseline Comparisons Using the Current Population Survey

As an additional benchmark to the longitudinal analysis using the SPD, we used insurance coverage rates and employment from before and after the passage of welfare reform from the widely cited national data in the Current Population Survey to examine the recent history of uninsurance rates and TANF coverage rates in rural and urban areas of the United States, focusing on the low-income population that could be eligible for welfare. As the results in Table 2 show, low-income women with children—both in rural and in urban areas—experienced a drop in uninsurance rates between 1996 (before passage of PRWOA) and 2005. However, low-income women who were employed, and thus achieving one of the main objectives of welfare reform, were more likely to be uninsured than low-income women who were unemployed, many of who were likely able to keep their Medicaid coverage. For instance, Table 2 shows that low-income women with children in rural areas who were employed in 2005 had an uninsurance rate that was about twice as high (28.9%) as that of their counterparts who were unemployed.

Table 2. Change in Health Insurance Status of Unmarried Low-Income Women, Before and After Passage of Welfare Reform (Unmarried Women With Children, Below the Poverty Line)

		Uninsured in 1996	Uninsured in 2005
Urban			
	Unemployed	30.5%	25.3%
	Employed	34.0%	26.5%
Rural			
	Unemployed	39.7%	14.0%
	Employed	34.7%	28.9%

Source: U.S. Census Bureau, 1996 and 2005 March Current Population Surveys.

Note: Differences between rural and urban women are statistically significant for all groups, except employed women.

Conclusions And Implications

Since passage of the 1996 welfare reform law, welfare rolls have dropped dramatically across the country. While welfare reform has been hailed for decreasing dependence on welfare and for moving former welfare recipients into jobs, less attention has been paid to the quality of the jobs the recipients have been obtaining, whether those jobs come with health insurance, and especially whether there is a difference between the experiences of urban and rural persons. The results presented here show that one of the unintended consequences of welfare reform is that a substantial percentage of former welfare recipients lost Medicaid coverage and became uninsured. A substantial percentage of rural persons who were former AFDC recipients were without health insurance about a half dozen years later; this was more likely to happen to former rural AFDC recipients, and more likely to happen to former AFDC recipients who obtained work than to those who did not. This study shows that the protections contained in the welfare reform legislation to sustain health insurance coverage have not been as effective as policy makers had anticipated.

These findings show that when PRWOA is reauthorized, consideration should be given to the question of health insurance coverage of the rural poor, especially single mothers with children. Although the initial PRWOA legislation was written with the intent of protecting Medicaid coverage for these mothers, especially when they reentered the work force, subsequent experience has shown that obtaining health insurance coverage and access to medical care is very difficult for low-income mothers, even if they make the effort to obtain work. Policy makers should consider new approaches to preserving health insurance, which could be a combination of federal and state programs (e.g., eligibility for Medicaid, premium assistance, small market reform), for persons transitioning off of public assistance.

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Rural Physicians' Acceptance of New Medicare Patients (PB2004-5). The data in this policy brief describe the trends for urban and rural physicians who no longer accept new Medicare patients. Among the findings in this brief is that the trend among all physicians is to not accept new Medicare patients. This trend is more pronounced among family practice physicians than among all physicians.

A Rural Perspective Regarding Regulations Implementing Titles I and II of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (P2004-6). Part I of this policy paper reviews provisions in the Proposed Rule, "Medicare Prescription Drug Benefit." Part II reviews provisions in the Proposed Rule, "Establishment of the Medicare Advantage Program."

An Analysis of the Agreement of Financial Data Between the Medicare Cost Report and the Audited Hospital Financial Statement (PB2004-4). This brief presents findings from a study that used statistical methods to examine the agreement between the Medicare Cost Report and the audited hospital financial statement of a series of financial measures in rural hospitals. The results show the limitation inherent in relying on a single source of data to evaluate the financial performance of rural hospitals.

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