



UNIVERSITY OF KENTUCKY
CENTER FOR POVERTY RESEARCH

The Effects of Public Assistance Reform: TANF, SNAP, and Medicaid

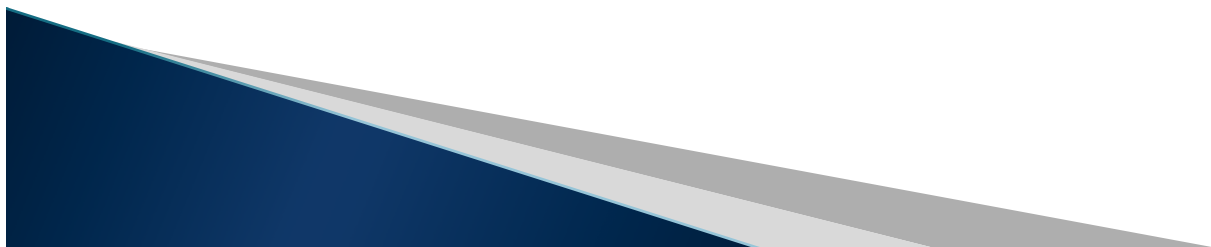
**Presentation to the Public Assistance Reform Task Force
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Overview

- ▶ Compare trends in participation in TANF (K-TAP), SNAP (food stamps), and Medicaid in Kentucky to the United States overall
- ▶ Discuss (national) research evidence on effects of the programs—benefits and costs
- ▶ Discuss national research evidence on the effects of work requirements, drug testing, and photo ID





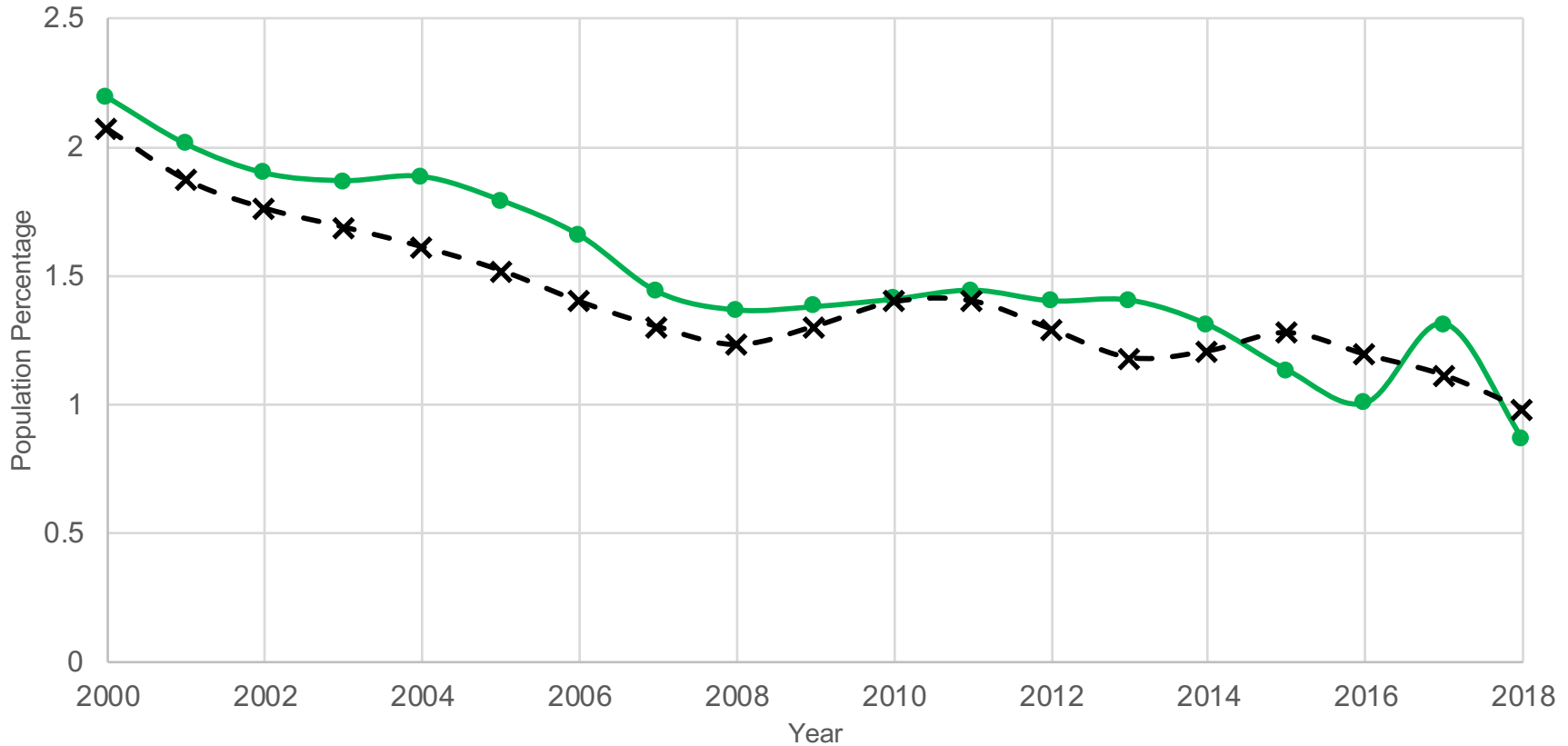
What does TANF (K-TAP) do?

- ▶ TANF provides both basic assistance (cash) and non-assistance (e.g. child care, work supports, child welfare, counseling, tax credits, pre-K, etc...)
- ▶ In FY2017 Kentucky spent 63% of its funds on basic assistance, and 93% on core support (basic plus work and child care)
- ▶ The national average was 23% and 53%
- ▶ States are only required to report to federal government number of persons receiving cash assistance



K-TAP cash assistance participation has been falling for a long time, like US overall

Percent of Population Using TANF 2000-2018



—●— % KY Population Receiving TANF -x- % US Population Receiving TANF



TANF and Welfare Reform

- ▶ The 1996 welfare reform replaced the former Aid to Families with Dependent Children (AFDC) program with TANF
- ▶ AFDC was financed by a federal-state matching grant using the same formula as Medicaid
- ▶ TANF is a fixed in nominal dollars block grant
- ▶ TANF imposes a time limit on usage, work requirements, and many other state-specified criteria for eligibility not present in the AFDC program



TANF and Welfare Reform

- ▶ Research shows that welfare reform, in conjunction with the strong economy of the late 1990s, led to reduced participation in TANF, and increased employment among single mothers
- ▶ Part of the decline in participation is due to the dramatic fall in take-up rates. That is, under AFDC about 70-75% of eligible mothers received assistance. Under TANF, only about 20% of eligible mothers receive assistance
- ▶ However, the typical mother had welfare benefits clawed back from higher labor-market earnings (part of the “benefit cliff”) and thus was no better off financially after reform





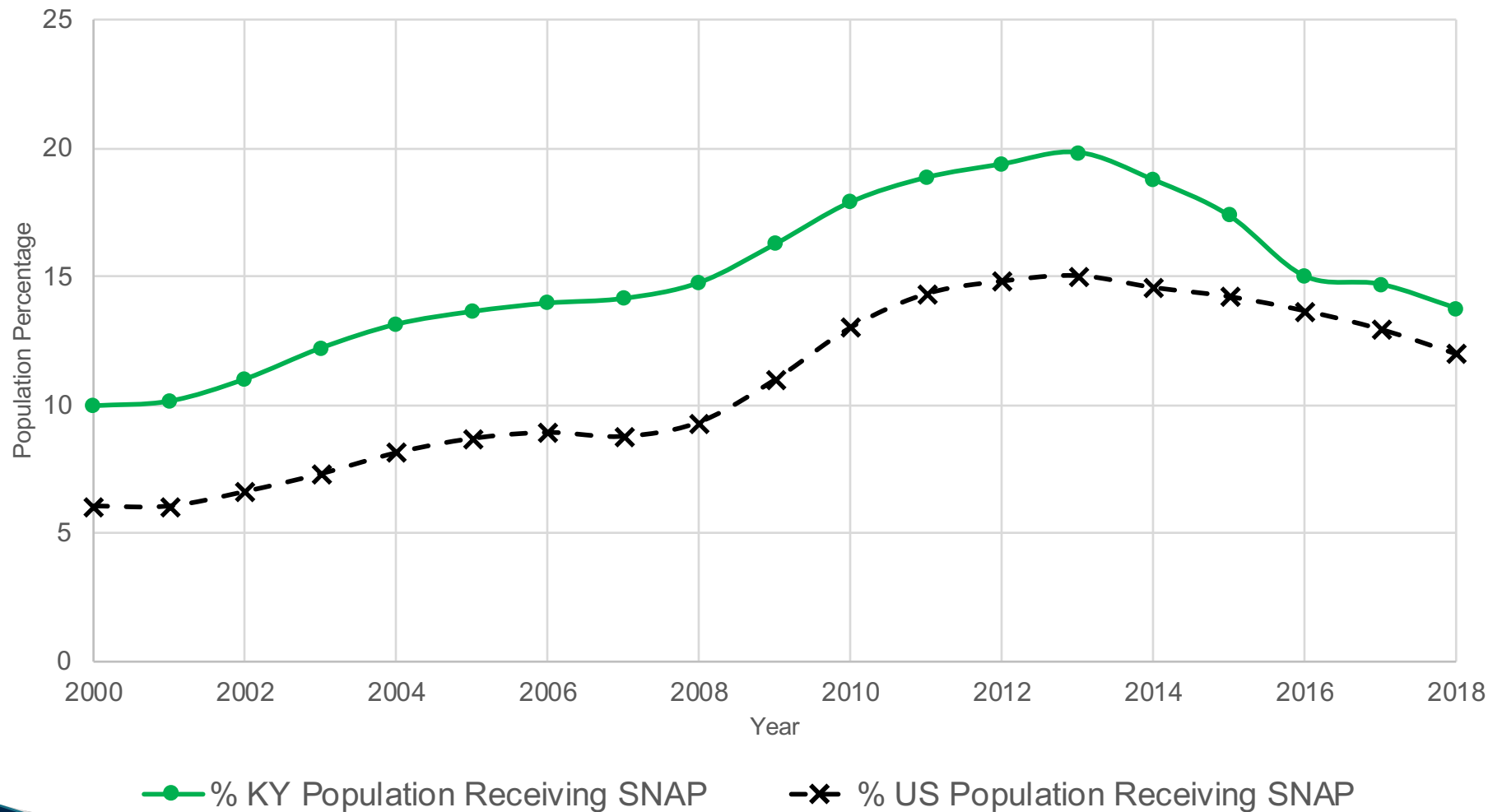
What does SNAP do?

- ▶ SNAP (food stamps) is an in-kind assistance program operated by the USDA for low-income and low-asset households
- ▶ Benefits are paid federally, and delivered via EBT. States pay one-half of the administrative cost (about 3.5% of total cost)
- ▶ Benefits can be used to purchase food for home preparation and consumption. Alcohol, tobacco, or hot prepared foods for immediate consumption are prohibited
- ▶ Benefits can be redeemed at over 250,000 outlets nationwide, including over 4,500 here in Kentucky



SNAP participation increased, especially in the Great Recession, but since 2013 has declined faster in KY than US

Percent of Population Using SNAP 2000-2018





Research on SNAP

- ▶ SNAP generates local economic activity
 - In FY2018 Kentuckians received over \$850 million in federal benefits. Research shows each \$1 of SNAP leads to at least \$1.5 of economic activity, or \$1.275 billion here in the Commonwealth in FY2018
- ▶ SNAP reduces risk of food insecurity by 5-20%
- ▶ SNAP usage in childhood has long-term health benefits in adulthood in terms of reduced heart disease, obesity, and diabetes
- ▶ SNAP reduces risk of premature mortality, including among the 40-65 year old age group confronting “deaths of despair”
- ▶ Households with SNAP spend on average 25% less on health care compared to low-income households not receiving SNAP



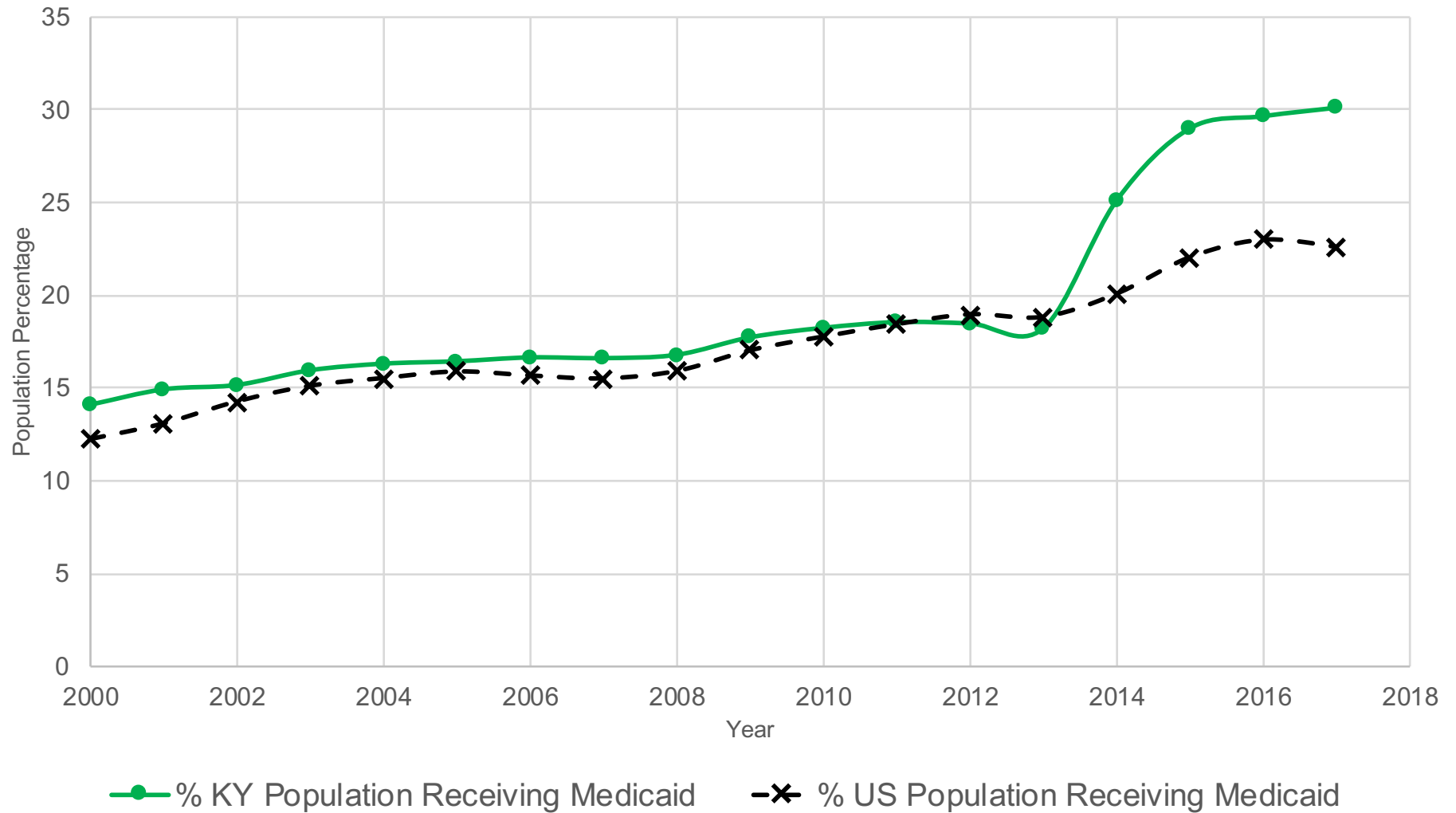
What does Medicaid do?

- ▶ Medicaid provides health insurance to four distinct groups:
 - lower-income children and their caretakers (mothers)
 - the disabled
 - elderly people in nursing homes
 - since 2014, low-income non-disabled adults in states that have adopted Medicaid expansions that were allowed under the Affordable Care Act (ACA)
- ▶ Children are the largest group served, but spending is greatest on the elderly and disabled
- ▶ Kentucky pays about \$0.29 for every \$1 spent on Medicaid. Nationally, the average state pays \$0.40 for every \$1. Kentucky pays only \$0.07 per new ACA enrollee in FY2019, rising to \$0.10 in FY2020



Medicaid in KY mimicked US until ACA expansion in 2014

Percent of Population Medicaid 2000-2017





Research on Medicaid

- ▶ The expansions of Medicaid in the 1970s-1990s led to
 - Reductions in infant mortality
 - Increase in access to preventative care and reduced hospitalizations
 - Reductions in onset of adult disability, and an increase in education attainment and work among persons covered during childhood
 - No evidence of an increase in fertility or reduction in labor supply among mothers
- ▶ Low-income non-disabled adults were generally prevented coverage from Medicaid prior to ACA, except for a few states, notably via the Oregon Health Experiment
- ▶ Research on this population has shown that access to Medicaid increased health insurance coverage (crowd-out was much less than 1 for 1), increased care, and reduced personal bankruptcies
- ▶ The Oregon experiment showed no evidence of reduced employment, no crowd-out of private insurance, increased use of medical care, and improvements in mental health
- ▶ Those states that expanded Medicaid under the ACA saw an increase in insurance coverage among nondisabled adults, but no reduction in work effort



What do we know about work requirements?

- ▶ Work requirements in TANF have been shown to lead to reductions in participation and modest increases in employment, but no change in overall financial security
 - Long-term evaluation of the California GAIN experiment shows that “work-first” strategies led to lower earnings than programs emphasizing human capital development
- ▶ Two recent working papers find evidence that rescinding the ABAWD waiver in SNAP after the Great Recession led to reductions in SNAP participation. One study found modest increases in employment, the other study found no effect
- ▶ A new study in New England Journal of Medicine found that when Arkansas introduced work requirements on nondisabled adults in Medicaid, health coverage fell substantially, but there was no statistical increase in employment or community engagement





What do we know about drug testing?

- ▶ The evidence base on the causal effects of mandatory drug testing on public assistance is scarce
- ▶ Federal law prohibits provision of TANF or SNAP to convicted drug felons, though states have the option to remove or modify the ban. Kentucky modifies the ban (about half the states do)
- ▶ Half the states drug test for TANF; only a few are starting to do so for SNAP
- ▶ The research to date suggests that drug use is not disproportionately prevalent among the welfare population, that the administrative costs of drug testing outweigh the administrative benefits, and that drug use is not significantly related to welfare use or length of time on assistance
- ▶ One study found welfare reform reduced illicit drug use and increased treatment in the late 1990s, but they were unable to unpack the mechanisms (ie there was no explicit control for drug testing)



What do we know about photo IDs?

- ▶ Federal law is silent on use of photo ID for TANF, but USDA requires that SNAP EBT be redeemable by any member of the assistance unit.
 - This creates challenges at point of sale since it is not possible to deny a purchase with EBT
- ▶ The presumption is that photo ID will reduce fraudulent redemptions. The switch to EBT has already resulted in a 2/3rd reduction in illegal redemptions in SNAP since 1990s, to about 1% of total benefits
 - The error rate in SNAP is at all time lows, meaning the program is efficiently administered
- ▶ Research on voter ID laws suggests that these policies have disproportionate negative effects on minority voter turnout. There is no corresponding evidence on TANF, SNAP, or Medicaid
 - It is believed that photo ID will raise administrative costs (some evidence on this), and increase hassle of clients



Summary

- ▶ If the goal is to reduce participation in TANF, SNAP, and Medicaid among Kentuckians, then the evidence suggests that work requirements will work
- ▶ However, there should be no expectation that these persons and families will increase employment or incomes
- ▶ But we should expect higher food insecurity, reduced health coverage and care, higher bankruptcies, and negative spillovers into other areas of the public assistance system
- ▶ The evidence base on drug testing and photo ID is much more limited in terms of client behavior. What does seem clear is that the state's administrative cost will be higher under these policies





Thank you!

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