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Transitional Medi-Cal for Families Leaving Welfare Is Underused

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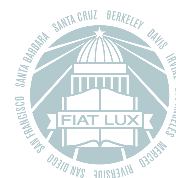
The federally and state-funded Transitional Medical Assistance (TMA) program—implemented in California in 1990 as Transitional Medi-Cal (TMC)—was created to assist families in the transition from welfare to work (welfare exiters) by ensuring that they do not lose medical insurance. TMC provides health insurance coverage for up to one year for qualifying families. Since October 1, 1998, California has offered a second year of TMC to adults in qualifying families. (Presumably, children will obtain coverage through other Medi-Cal programs or the Healthy Families program.) Because most individuals who exit welfare work in jobs that do not offer health insurance or, at best, do so at a premium most cannot afford, TMC remains an important potential source of health care coverage for low-income working families.

There is a widespread belief—among researchers, welfare and Medi-Cal administrators, policymakers, and advocacy groups—that TMC (and TMA nationally) is underused. However, this belief is based on the small proportion of welfare exiters enrolled in TMC; the proportion of exiters who actually qualify for the program has not been estimated. Hence the question of underutilization has not been directly addressed.

To examine this important welfare and health care policy issue, our research addressed the following related questions. First, how effectively has the TMC program reached TMC-eligible exiters, as judged by their participation rate in the program (calculated as the ratio of TMC enrollees to TMC-eligible exiters)? Second, what portion of TMC-eligible exiters who are not enrolled in TMC are actually enrolled in other Medi-Cal programs? Third, what demographic groups are at higher risk of underutilizing TMC? Fourth, do eligibility, enrollment, and participation rates differ across counties and over time? Finally, would a reasonably well-functioning TMC program contribute significantly to reducing the number of uninsured low-income working families?

Data and Methods

We investigated the TMC eligibility of 21,844 instances of welfare exit (an individual leaving welfare) over five years (January 1993 through December 1997) in the County Welfare Administrative Data experimental sample. The CWAD is a stratified random sample of welfare participants from Alameda, Los Angeles, San Bernardino, and San Joaquin counties. In July 1996, these counties contained 47% of California's welfare recipients. The sample is restricted to adults and children who left welfare and can be considered to be members of families with children who are minors. It does not include solo exiters or adults who exited because their children reached age 18; these subgroups would automatically be TMC-ineligible.



The post-welfare Medi-Cal enrollment patterns in this four-county sample are similar to those in the statewide, representative sample of the Medi-Cal Eligibility Data System (MEDS); accordingly, it appears reasonable to generalize findings from this sample to the state as a whole.

Welfare exiters are eligible for a first six months of TMC if they leave welfare for work, there is a minor child in the family, and the household has been on aid for at least three of the six months preceding their exit. To identify exiters who left welfare for work, program participation data from the MEDS and from county welfare files were merged with earnings data from the Employment Development Department (EDD data). Because individuals with low earnings are underrecorded in the EDD data, the algorithm we applied to determine TMC eligibility using these data produced underestimates of the true number of eligibles. Therefore, we adjusted these preliminary estimates upward based on data from interviews with a subset of CWAD welfare exiters.

These two estimates can be considered lower and upper bounds on TMC eligibility and, consequently, on participation rates. The TMC enrollment rate refers to the ratio of those enrolled in the program over the total number of exits, and the TMC participation rate refers to the ratio of those enrolled over the total number of eligibles.

Post-Welfare Participation in TMC and Other Medi-Cal Programs

We found that from 35% to 47% of the CWAD sample of exiters who were part of a family were eligible for TMC. For the CWAD sample taken as a whole and over the entire study period, approximately 26% of those eligible for TMC were enrolled in the program, usually (95% of cases) for the entire first six months. (All reported participation rates are based on the higher eligibility rate, which is probably closer to the actual eligibility rate.) Another 14% of TMC-eligible exiters were enrolled in some other Medi-Cal program for a full six months. Thus about 40% of TMC-eligible exiters received TMC or other Medi-Cal coverage for the entire six months after leaving welfare.

However, on average about half (49%) of eligible exiters were enrolled in Medi-Cal for only two to three of the six months after they left welfare, and 11% had no Medi-Cal coverage at all during the period. Among these exiters who were uninsured for all six months (18% of the sample), between 21% and 28% were TMC-eligible.

Welfare exiters who were ineligible for TMC (all of whom had exited welfare as families) were even less likely to be covered by Medi-Cal. Only 26% had a full six months of coverage after welfare exit, chiefly through the Edwards program; about half were covered by Medi-Cal for two to three of the six months, and 24% were not enrolled in Medi-Cal for any part of the period. (Edwards is the mandatory program that provides welfare exiters with temporary Medi-Cal coverage while welfare offices determine their eligibility for TMC and other Medi-Cal programs. On average, families are dropped from Medi-Cal within two or three months—sometimes more quickly when the staff cannot establish their eligibility for any Medi-Cal program.)

TMC Eligibility and Participation by Demographic and Programmatic Characteristics

The TMC eligibility and participation rates were virtually identical for children and adults, a predictable finding given that entire families are assessed for TMC eligibility and enrolled in the program. Large differences in eligibility rates (58% vs. 45%) and participation rates (38% vs. 20%) were found between two-parent (AFDC-U) and one-parent (AFDC-FG) families, respectively.

Eligibility and participation rates varied substantially across race/language groups. African Americans' eligibility ranked second highest (51%), while their participation was the lowest (19%) among all race/language groups examined. Latinos also had relatively high eligibility rates (54% and 50% among English and Spanish speakers, respectively), and below-average participation rates, especially among English-speaking Latinos (21%). Eligibility and participation rates among "other race" and "other language" groups were both higher than for non-Hispanic whites.

Eligibility and participation rates also differed strikingly across the four study counties. These differences were driven in part by demographic differences between counties, but probably also by different agency practices. Eligibility rates were relatively high in Alameda (56%) and San Joaquin (50%) counties and relatively low in San Bernardino (45%) and Los Angeles (44%) counties. Between one-half (46%) and one-third (32%) of eligible exiters participated in TMC in the Central Valley counties of San Joaquin and San Bernardino, respectively (higher than the 26% participation statewide). In contrast, in both the urban counties, Los Angeles and Alameda, less than one-fourth of eligible exiters (22%) participated in TMC.

Finally, eligibility and participation in TMC did not show any strong trend over time, except that in 1997 the overall participation rate increased markedly.

Participation in Edwards and Other Medi-Cal Programs

During the months after they left welfare, the proportion of exiters without Medi-Cal steadily increased, whether they were TMC-eligible or not. In the first month after exit 86% of TMC-eligible exiters and 73% of those ineligible were on some type of Medi-Cal, with the Edwards program providing the majority of this coverage for both groups. As time went by, most exiters lost Edwards coverage and did not pick up non-TMC Medi-Cal coverage; for example, after four months off welfare, 50% of the TMC-eligible exiters and about 61% of the TMC-ineligible exiters were not covered by Medi-Cal.

Therefore, although the percentage on other Medi-Cal programs showed some increase, the net effect of ending Edwards coverage was to sharply lower Medi-Cal coverage overall. (The average two to three months of enrollment for the Edwards program shrank by about a month over the study period. Of course, there were intercounty variations.)

The TMC program was intended to provide welfare exiters with up to a year of Medi-Cal coverage, but few in the study period received this extended coverage because few were enrolled in the first six months of TMC when they left welfare. In fact, if exiting families did not enroll in TMC or some other Medi-Cal program during those first six months, they rarely had any Medi-Cal coverage during the second six-month period after exit. In contrast, nearly half (43%) of those who were fully covered in any Medi-Cal program during the first six months after exit were also covered during the second six months, 39% had coverage for part of the time, and only 18% had no coverage at all.

The failure to enroll eligible families in TMC inflates substantially the total population of welfare-exiting families who were not on Medi-Cal and, presumably, were uninsured. Yet during the first six months after leaving welfare, between 39% and 48% of the exiters who were not covered by a standard Medi-Cal program (that is, they had no Medi-Cal coverage or only Edwards coverage) could have received TMC. And if these families had continued to be low-income for the first six months after leaving welfare, they would probably also have been eligible for TMC for a second six-month period.

We conclude that during 1993–1997, TMC appears to have failed as a source of health care coverage for many of the families who left welfare for work. During the first six months after exit, only 26% of TMC-eligible individuals who exited welfare (who made up one-third to one-half of all exits) were enrolled in the TMC program and received coverage for the first six months.

Most TMC-eligible exiters received Medi-Cal coverage under the temporary Edwards program after leaving welfare. But four months after exit, families were no more likely to be covered by Medi-Cal if they were eligible for TMC than if they were not. At least half of TMC-eligibles were without any Medi-Cal coverage at this point. Had TMC been fully utilized, the number of individuals exiting welfare who lacked Medi-Cal coverage during their first six months off welfare would have been reduced by at least 36%. Our analysis of the Urban Institute's 1997 *National Survey of America's Families* suggests that the proportion of California exiters who were uninsured would have been reduced by a similar percentage had TMC been fully implemented.

Following Up Senate Bill 87

Recent state legislative actions have improved the potential for ensuring post-welfare Medi-Cal coverage for California's low-income working families. The most important of these measures is Senate Bill 87 (SB 87), passed in September 2000. SB 87 was scheduled for full implementation in July 2001. It requires counties to automatically (in most cases) continue families' enrollment in Medi-Cal after they exit welfare. Counties are required to send out materials to clients who have left welfare, informing them that their eligibility for and enrollment in Medi-Cal continues and explaining the new reporting rules. Instead of a quarterly reporting requirement, clients must submit only annual reaffirmation of their eligibility and report to the county only important changes in their circumstances, such as changes in their income or in the presence of a minor child in the home.

If SB 87 is implemented as intended, it will address important problems that we have documented having to do with TMC eligibility determination and enrollment. Moreover, SB 87 provides for unbroken Medi-Cal coverage of all other families and individuals who might be eligible for Medi-Cal under non-TMC programs. Even so, the TMC program is likely to remain an important avenue for Medi-Cal coverage for some families. Eligibility for the first six months of TMC is more inclusive than for other Medi-Cal programs because no earning or income ceiling is imposed. In addition, TMC provides a second six months of Medi-Cal coverage for low-income adults in eligible families with an income of less than 185% of the federal poverty level (a higher income threshold than is applied under SB 87 rules for 1931b Medi-Cal coverage). TMC also provides a second year of Medi-Cal coverage for eligible low-income adults.

Our research points to various problems in TMC implementation that made the program less effective than was intended. This finding suggests that an early evaluation of SB 87 could help assure its success. A study of the implementation process would indicate the extent to which the new policy has overcome past barriers to enrolling welfare exiters into Medi-Cal, barriers that led to the low participation rates we have documented. It would also be useful to conduct a quantitative study to compare patterns of post-welfare Medi-Cal enrollment before and after the implementation of SB 87. These studies could inform agencies responsible for the implementation of SB 87 and suggest complementary legislation to further increase Medi-Cal coverage among low-income working families who leave welfare.

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1500

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