



Medicaid Subsidies Can and Do Help Working Moms

But When Work Supports Quit Too Early, Women Drop Out of the Workforce

Federally subsidized work supports for low-income working mothers are provided through Medicaid Child Care Development Fund (CCDF), as well as Temporary Assistance to Needy Families (TANF). A new report from the Center for Economic and Policy Research (CEPR) by economist Heather Boushey finds that work supports make the difference in the ability of low-wage mothers to stay on the job and move up the income ladder.

- 1. When done right, work supports work.** When work supports like Medicaid allow a seamless transition from publicly- to privately-provided services, they keep low-wage working women in the labor force. Dr. Boushey found that mothers leaving Medicaid who get job-related health benefits are 9 times more likely to stay employed than mothers who leave Medicaid without finding a job with benefits. Further, if working moms can keep Medicaid until they find a job with health benefits, they are just as likely to stay employed as mothers who were never on Medicaid.

Congress implemented welfare reform to encourage welfare mothers to move into the labor market and to keep working mothers off welfare. CEPR's research confirms that work supports facilitate the transition to stable employment. Moms who had been on Medicaid generally have lower wages than other mothers, but those able to keep Medicaid until they find a job with health benefits are better able to stay in the job market.

- 2. There is gap in the transition between public and private benefits – between Medicaid and private health insurance – that leaves a hole in the web of work supports.** Few mothers leaving Medicaid make the transition to employer-based health insurance. During the slow recovery of the early 2000s, less than a quarter of women who left Medicaid found a job with health benefits. The chances of acquiring employer-provided health insurance were slightly higher during the strong labor market of the late 1990s, when more than a quarter of the mothers leaving Medicaid had employer-based health insurance. Medicaid benefits are simply cut too soon as most working mothers are not able to get health insurance on their own from employment.

Latina women have the hardest time accessing employer-based health insurance. In the late 1990s, 12.9 percent of African Americans and whites moved from Medicaid to employer-provided health care, while only 7.8 percent of Latinas made the transition.

Based on a new report by economist Heather Boushey, "When Done Right, Work Supports Work: Medicaid and Mothers' Employment and Wages"

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3. To be effective, the transition from public to employer-based work supports should be seamless. As a mother's income rises, her work supports phase out more rapidly than the private market affords her the ability to become economically self-sufficient. Once coverage ends, a mother without employer-provided health insurance faces the option of working without coverage or returning to welfare. Dr. Boushey's research finds that many drop out of the workforce. Some undoubtedly return to welfare, but even if they don't, the promise of welfare reform—the hope of economic self-sufficiency—has not been met.

Work supports generally help the very poor, leaving those working in the low-wage labor market on their own. While well-paid workers have access to work supports through their employer or by direct purchase, low-income workers end up without access to work supports from either the public or the private sphere. Dr. Boushey finds that women leaving Medicaid fall into this gap and the results are that many mothers simply can't stay on the job without benefits.

Cuts in funding to the Medicaid program, without measures to fill this gap, will make the problem worse. Over the early 2000s as many states faced budget crises, many cut access to work supports for the work poor, which then limits these families ability to make it in the labor market. This research cautions cutting benefits for workers who cannot access work supports through employer-based plans.

See the full paper: http://www.cepr.net/publications/work_supports_2005_03.pdf