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Working Paper Series**

**THE DISTRIBUTION OF MEDICAID AND EMPLOYER-SPONSORED
HEALTH INSURANCE COVERAGE AMONG IMMIGRANTS BEFORE AND
AFTER THE 1996 WELFARE REFORM**

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In a recent article in the *Journal of Health Economics*, Borjas (2003) finds that the welfare reform of 1996 did little to affect rates of health insurance coverage among non-citizens living in the United States. Using data from the March demographic supplements to the Current Population Survey over 1994-2001, he found that the drop in Medicaid coverage among non-citizens after the welfare reform was offset by a rise in employer-sponsored insurance coverage. He found this to be the case even in states that offered relatively meager state-funded assistance programs to non-citizens who entered the U.S. after the welfare reform. Though the drop in Medicaid coverage was relatively great in these states, so was the rise in employment-sponsored coverage. These findings, combined with additional findings about labor force participation and hours, led Borjas to conclude that non-citizens responded to the welfare reform by finding employment that offered health insurance.

These results suggest that the rate of health insurance coverage among non-citizens was about the same just before and just after the welfare reform. They do not suggest that the *distribution* of health insurance coverage was the same before and after the welfare reform. In particular, it is not necessarily the case that the non-citizens who lost Medicaid in the welfare reform are the same people as those who picked up employer-sponsored insurance after the welfare reform. Consequently, it is still possible, even in light of the above results, that there are a substantial number of uninsured non-citizens who would have health insurance had the welfare reform not happened. Borjas addresses this possibility in section 5 of his article and finds that changes in Medicaid and in employment-sponsored insurance offset each other quite well across cells defined by gender, citizenship, and U.S. State. However, there are many other variables over which

the distribution of health insurance can be observed, such as race, income, education, and family composition. The rest of this paper will look at how the distribution of health insurance among non-citizens over these variables has changed (or not changed) over the welfare reform.

My sample is made up of all people under age 65 in the March demographic supplements to the Current Population Survey (CPS) in 1995, 1996, 1999, 2000, and 2001. The March 1995 and 1996 CPS include data about health insurance coverage in 1994 and 1995 and are used to compute rates of health insurance coverage before the welfare reform; the March 1999, 2000, and 2001 CPS include data about coverage in 1998, 1999, and 2000 and are used to compute coverage rates after the welfare reform. Like Borjas, I classify people as living in "more generous" states that continued to offer relatively good non-citizen benefits after the welfare reform or in "less generous" states that did not. A state is considered "more generous" if, after the welfare reform, it: a) continued to offer TANF or Medicaid to non-citizens who entered the U.S. after the welfare reform or b) continued to offer food assistance or SSI to any non-citizens at all. The citizenship status of each person is defined using the citizenship status of the head of the household in which he lives; consequently, U.S.-born children of non-citizens are considered non-citizens themselves.

Health insurance coverage rates among non-citizens by age, education, Hispanic status, and income are presented in Table 1. There is not much in Table 1 to suggest that the distribution of health insurance coverage across these variables changed much over the welfare reform. One surprising result is that some groups fared notably worse in the more generous states than in the less generous states. In non-citizen households in which

the head has less than a high school diploma, the overall rate of insurance coverage dropped in the more generous states but rose in the less generous states. This is despite the fact that the drop in Medicaid coverage was larger in the less generous states. A similar pattern exists in non-citizen households in which the head is Hispanic. In both of these cases, employer-sponsored insurance increased by so much more in the less generous states that it more than offset the larger decrease in Medicaid coverage.

In contrast, the results in Table 2 suggest that the distribution of health insurance coverage across household composition did change substantially over the welfare reform. Of particular interest are female-headed non-citizen households with children. These are defined as households that are headed by a non-citizen woman with no spouse or an absent spouse and that include at least one child under age 15. Before the welfare reform, people in these households accounted for 29 percent of Medicaid-covered non-citizens in the United States. Because their participation in Medicaid was relatively great, they were acutely affected by the welfare reform. Their Medicaid coverage rate dropped from 49.8 percent to 40.4 percent in the more generous states and from 43.8 percent to 25.0 percent in the less generous states. Part of this decrease in Medicaid coverage is offset by a change in the rate of employer-sponsored insurance coverage, which rose from 17.4 percent to 20.7 percent in the more generous states and from 23.8 percent to 30.1 percent in the less generous states. However, unlike the case of the non-citizen population at large, this increase in employer-sponsored coverage is not large enough to avoid a large decrease in the overall insurance rate of people in female-headed non-citizen households with children. The percentage of people in these households with any kind of insurance dropped from 67.7 percent to 61.5 percent in the more generous states and from 67.0

percent to 54.7 percent in the less generous states. In contrast, the overall coverage rate of non-citizens in male-headed households either increased or dropped slightly after the welfare reform in both the more and less generous states. The overall coverage rate of non-citizens in female-headed households without children dropped, but not to quite the same extent as that of non-citizens in female-headed households with children.

The increase in employer-sponsored insurance coverage among non-citizens in female-headed households with children, like that among non-citizens as a whole, appears to have been caused by a substantial labor supply response to the welfare reform. According to the results of Table 3, the percentage of these households with at least one full-time worker increased from 61.2 percent to 72.1 percent in the more generous states and from 58.7 percent to 77.5 percent in the less generous states. It is likely that this increase in the prevalence of full-time employment led to an increase in the availability of employer-sponsored insurance to people in these households. Evidence from the February contingent work supplements to the Current Population Survey in 1995, 1997, 1999, and 2001 about employer health insurance offers to full-time non-citizen workers is presented in Table 4. At least 47.5 percent (after rounding) of single male non-citizens and 51.2 percent of single female non-citizens who worked full time were offered health insurance by their employers. Of these, the overwhelming majority accepted the offer. Together, the evidence in Tables 3 and 4 do not suggest that the drop in the overall coverage rate of non-citizens in female-headed households came about because the labor supply response of these households to the welfare reform was small or ineffective. Instead, it suggests that the drop in the coverage rate came about because the drop in

Medicaid coverage was so dramatic that it could not be offset by even a large increase in employment and in employment-sponsored coverage.

Reduced levels of health insurance coverage among non-citizens in female-headed households with children have for the most part persisted from the immediate aftermath of the welfare reform to the present. The results in Table 5 compare coverage rates in the three years right after the reform (1998-2000) with the two years after that (2001-2002) by adding the 2002 and 2003 March CPS to the data set. In the less generous states, the coverage situation of non-citizens in female-headed households with children has improved moderately. Medicaid coverage of non-citizens in these households has increased while employer-sponsored coverage has remained about the same. As a result, their overall coverage rate has increased from 54.7 percent to 59.7 percent, which, while better, is still considerably lower than the 67.0 percent coverage rate enjoyed before the welfare reform. In the more generous states, the overall coverage rate of non-citizens in female-headed households with children has remained about the same since the welfare reform.

It is important to note that these results do not contradict Borjas' finding that most of the non-citizens who lost Medicaid in the welfare reform picked up employer-sponsored insurance. However, they also suggest that those in female-headed households with children generally did not. This is an especially problematic exception since single women and their children are often considered the primary group targeted by public assistance programs. If this is the case, then the welfare reform of 1996 may have hurt those who needed Medicaid the most and left the rest pretty much unharmed.

Reference

Borjas, George (2003), "Welfare Reform, Labor Supply, and Health Insurance in the Immigrant Population," *Journal of Health Economics* 22(6), pp. 933-958.

Table 1: Coverage of non-citizens before and after the 1996 welfare reform

Subsample	Non-citizens						
	Coverage	More generous states			Less generous states		
		1994-1995	1998-2000	Sig.	1994-1995	1998-2000	Sig.
All	Medicaid	21.0%	16.1%	0.00	18.1%	11.1%	0.00
	Insurance	61.6%	59.9%	0.00	59.0%	61.1%	0.07
	ESI	38.2%	40.9%	0.00	36.5%	47.9%	0.00
	N	21353	29610		2754	5989	
Head age < 33	Medicaid	22.3%	17.5%	0.00	20.6%	11.4%	0.00
	Insurance	55.7%	54.2%	0.07	50.8%	52.0%	0.53
	ESI	31.0%	34.6%	0.00	23.5%	37.0%	0.00
	N	6982	9999		956	2259	
Head age 33-40	Medicaid	22.6%	16.9%	0.00	20.3%	11.9%	0.00
	Insurance	63.9%	62.9%	0.22	60.6%	65.3%	0.02
	ESI	39.8%	43.8%	0.00	38.8%	52.7%	0.00
	N	6042	8769		889	1707	
Head age > 40	Medicaid	18.7%	14.3%	0.00	13.6%	10.2%	0.01
	Insurance	64.8%	62.6%	0.00	67.0%	67.5%	0.79
	ESI	43.1%	44.1%	0.16	49.2%	55.6%	0.00
	N	8329	10842		909	2023	
Head w/o h.s. diploma	Medicaid	28.7%	21.5%	0.00	23.6%	15.1%	0.00
	Insurance	54.8%	49.8%	0.00	46.3%	48.5%	0.16
	ESI	25.9%	27.1%	0.03	22.8%	34.0%	0.00
	N	11274	14738		1506	3234	
Head w/ h.s. diploma	Medicaid	13.1%	11.7%	0.00	12.8%	7.9%	0.00
	Insurance	68.6%	68.2%	0.52	71.6%	71.3%	0.89
	ESI	50.8%	52.1%	0.04	50.0%	59.1%	0.00
	N	10079	14872		1248	2755	
Head Hispanic	Medicaid	23.3%	18.7%	0.00	20.4%	13.3%	0.00
	Insurance	54.1%	50.6%	0.00	46.4%	48.7%	0.09
	ESI	30.1%	30.5%	0.38	24.1%	34.9%	0.00
	N	14503	20981		1815	4228	
Head not Hispanic	Medicaid	17.3%	12.3%	0.00	14.8%	8.2%	0.00
	Insurance	73.5%	73.6%	0.95	77.3%	77.4%	0.96
	ESI	51.1%	56.1%	0.00	54.4%	65.0%	0.00
	N	6850	8629		939	1761	
Income < 100% FPL	Medicaid	42.6%	34.7%	0.00	34.9%	20.6%	0.00
	Insurance	55.3%	48.7%	0.00	46.8%	42.7%	0.03
	ESI	11.1%	12.3%	0.03	8.8%	20.8%	0.00
	N	6758	7261		1074	1659	
Income 100-200% FPL	Medicaid	20.6%	20.6%	0.99	14.2%	14.8%	0.71
	Insurance	52.2%	50.4%	0.04	50.6%	52.9%	0.34
	ESI	30.3%	27.5%	0.00	32.2%	36.5%	0.06
	N	5317	7453		636	1600	
Income > 200% FPL	Medicaid	6.1%	5.8%	0.31	4.2%	4.2%	0.96
	Insurance	71.1%	69.2%	0.00	75.4%	74.9%	0.76
	ESI	61.4%	59.7%	0.01	65.5%	67.9%	0.17
	N	9278	14896		1044	2730	

Source: 1995, 1996, 1999, 2000, and 2001 March Current Population Survey

Sample is made up of all non-citizens under age 65 and living outside group quarters.

Sig. equals p -value of chi-square test of difference between pre- and post-1996 coverage rates

Table 2: Coverage of non-citizens before and after the 1996 welfare reform

Subsample	Non-citizens						
	Coverage	More generous states			Less generous states		
		1994-1995	1998-2000	Sig.	1994-1995	1998-2000	Sig.
Male head or married	Medicaid	7.4%	4.9%	0.00	7.1%	2.4%	0.00
female head with	Insurance	54.6%	56.2%	0.08	62.4%	63.1%	0.78
spouse present,	ESI	41.5%	45.8%	0.00	46.9%	56.2%	0.00
no children	N	4480	6766		589	1344	
Male head or married	Medicaid	21.0%	17.2%	0.00	18.9%	13.3%	0.00
female head with	Insurance	63.2%	61.9%	0.02	55.6%	61.1%	0.00
spouse present,	ESI	42.0%	42.8%	0.12	34.5%	47.1%	0.00
children	N	12805	17666		1713	3710	
Female head with no	Medicaid	12.6%	9.9%	0.02	13.1%	6.6%	0.02
spouse or absent	Insurance	58.7%	54.0%	0.01	66.2%	62.7%	0.46
spouse, no children	ESI	32.1%	37.8%	0.00	34.4%	45.5%	0.02
	N	1276	1722		150	325	
Female head with no	Medicaid	49.8%	40.4%	0.00	43.8%	25.0%	0.00
spouse or absent	Insurance	67.7%	61.5%	0.00	67.0%	54.7%	0.00
spouse, children	ESI	17.4%	20.7%	0.00	23.8%	30.1%	0.05
	N	2792	3456		302	610	

Source: 1995, 1996, 1999, 2000, and 2001 March Current Population Survey

Sample is made up of all non-citizens under age 65 and living outside group quarters.

Sig. equals *p*-value of chi-square test of difference between pre- and post-1996 coverage rates

Table 3: Labor force participation of non-citizen households before and after the 1996 welfare reform

Subsample	Non-citizens						
	Participation	More generous states			Less generous states		
		1994-1995	1998-2000	Sig.	1994-1995	1998-2000	Sig.
Male head or married	Full-time	86.9%	89.7%	0.00	82.9%	87.6%	0.01
female head with spouse present, no children	Full-time full-year	73.8%	80.5%	0.00	72.2%	73.9%	0.44
	N	4480	6766		589	1344	
Male head or married	Full-time	89.8%	94.9%	0.00	87.4%	96.1%	0.00
female head with spouse present, children	Full-time full-year	75.7%	84.0%	0.00	69.9%	84.0%	0.00
	N	12805	17666		1713	3710	
Female head with no spouse or absent spouse, no children	Full-time	72.0%	77.2%	0.00	59.2%	74.6%	0.00
	Full-time full-year	60.0%	68.4%	0.00	43.2%	62.9%	0.00
	N	1276	1722		150	325	
Female head with no spouse or absent spouse, children	Full-time	61.2%	72.1%	0.00	58.7%	77.5%	0.00
	Full-time full-year	44.6%	55.7%	0.00	38.6%	61.6%	0.00
	N	2792	3456		302	610	

Source: 1995, 1996, 1999, 2000, and 2001 March Current Population Survey

Sample is made up of all non-citizens under age 65 and living outside group quarters.

Participation is equal to percent of people in households with at least one full-time (full-year) worker.

Sig. equals p -value of chi-square test of difference between pre- and post-1996 coverage rates

Table 4: Employer-sponsored insurance coverage offer and takeup of noncitizen full-time workers, 1995-2001

Health insurance offer status	Noncitizen full-time workers			
	Men		Women	
	Unmarried	Married	Unmarried	Married
No offer made	38.6%	31.0%	34.8%	28.4%
Offer made and accepted	41.2%	50.2%	46.2%	47.5%
Offer made and declined	6.4%	7.4%	5.0%	12.9%
Nonresponse	13.9%	11.4%	14.0%	11.1%
Total	100.0%	100.0%	100.0%	100.0%
N	2312	4089	1668	2519

Source: 1995, 1997, 1999, and 2001 February Current Population Survey

Sample is made up of all non-citizens employed full-time for pay but not self-employed.

Table 5: Coverage of non-citizens into the 21st century

Subsample	Non-citizens						
	Coverage	More generous states			Less generous states		
		1998-2000	2001-2002	Sig.	1998-2000	2001-2002	Sig.
All	Medicaid	16.1%	17.4%	0.00	11.1%	13.9%	0.00
	Insurance	59.9%	60.7%	0.04	61.1%	59.5%	0.07
	ESI	40.9%	40.4%	0.23	47.9%	42.8%	0.00
	N	29610	29204		5989	6333	
Male head or married female head with spouse present, no children	Medicaid	4.9%	5.7%	0.03	2.4%	4.0%	0.02
	Insurance	56.2%	56.4%	0.85	63.1%	54.7%	0.00
	ESI	45.8%	45.2%	0.48	56.2%	44.7%	0.00
	N	6766	6727		1344	1463	
Male head or married female head with spouse present, children	Medicaid	17.2%	20.2%	0.00	13.3%	15.9%	0.00
	Insurance	61.9%	63.2%	0.01	61.1%	61.1%	0.99
	ESI	42.8%	41.8%	0.05	47.1%	43.7%	0.00
	N	17666	17312		3710	4078	
Female head with no spouse or absent spouse, no children	Medicaid	9.9%	10.9%	0.36	6.6%	8.4%	0.40
	Insurance	54.0%	57.9%	0.02	62.7%	63.6%	0.82
	ESI	37.8%	36.0%	0.27	45.5%	46.0%	0.89
	N	1722	1759		325	269	
Female head with no spouse or absent spouse, children	Medicaid	40.4%	34.4%	0.00	25.0%	32.2%	0.01
	Insurance	61.5%	59.9%	0.18	54.7%	59.7%	0.09
	ESI	20.7%	24.0%	0.00	30.1%	29.5%	0.82
	N	3456	3406		610	523	

Source: 1999, 2000, 2001, 2002, and 2003 March Current Population Survey

Sample is made up of all non-citizens under age 65 and living outside group quarters.

Sig. equals p -value of chi-square test of difference between pre- and post-1996 coverage rates