

# Welfare Reform Reduced Public Coverage, Increased Employer Coverage Among Immigrants

## THE PROBLEM

Eight years after passage of the 1996 federal welfare reform law, researchers and policymakers still debate the effects of the legislation. Cuts in benefits for immigrants were part of the changes to the welfare system, raising concerns that already high rates of uninsurance among immigrants could soar. New research shows that, contrary to conventional wisdom, moving welfare recipients off the public assistance rolls did not necessarily leave immigrants without health insurance coverage.

According to research conducted by Harvard University economist George Borjas and funded by the Economic Research Initiative on the Uninsured (ERIU) at the University of Michigan, while welfare reform reduced the level of Medicaid coverage for immigrants as a whole, many immigrants were able to obtain employer-sponsored coverage (ESI). The analysis shows that immigrants residing in states with less generous public assistance benefits were significantly more likely to have ESI than immigrants living in states that offered more generous aid.

Declines in welfare and Medicaid participation were much steeper among immigrants than natives. The law's chilling effect on immigrant participation in public programs was moderated by increases in labor force participation. Labor force participation was increasing for many groups during the economic boom of the late 1990's. Although Borjas' research controls for this boom, results may differ for time periods when the economy is weak or in a recession.

## THE FACTS

> **Immigrants are almost three times more likely to be uninsured than U.S. natives.** In 2002, one-third of all immigrants were uninsured, accounting for 26 percent of the uninsured in the U.S. While immigrants and natives are equally likely to have full-time employment, immigrants with full-time jobs are nearly three times more likely to be uninsured.

> **Many immigrants lost Medicaid, but proportionately more of them gained job-based coverage.** Welfare reform restricted Medicaid eligibility for non-citizen immigrants. The percentage of non-citizen immigrants covered by Medicaid fell 5.5 percentage points between 1994 and 2000. The drop was greater in states with less generous benefits for immigrants (7 percent versus 3 percent in more generous states). The silver lining is that employment-based coverage rose by 6 percentage points among all immigrants and by more than 11 percentage points among non-citizens.

> **Reforms triggered increased labor force participation.** State and federal welfare reforms led many non-citizen immigrants to increase their labor force participation. This pattern was most pronounced in states with less generous policies. For example, labor force participation among non-citizens increased 6 percentage points in less generous states versus 2.5 percentage points in more generous states.

## POLICY PERSPECTIVE

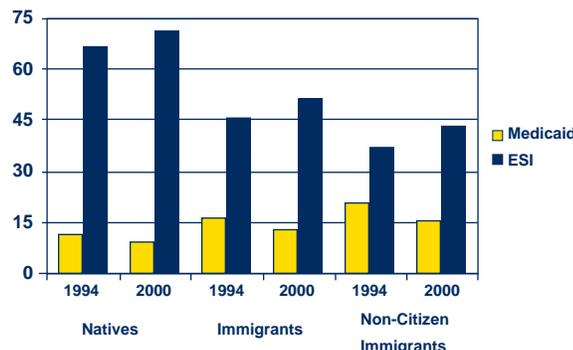
Borjas' findings convincingly show that, as a group, immigrants experienced large increases in employer-sponsored insurance (ESI) coverage after welfare reform. What is not clear is whether the immigrants affected most by the cuts in Medicaid were the same groups benefiting from expanded ESI. To identify the "winners and losers" affected by welfare reform, ERIU used the same dataset and methods to analyze coverage changes for specific subgroups of immigrants.

The analysis, available at <http://umich.edu/eriu>, shows that ESI coverage expanded most for non-citizens in two-parent families—particularly families with children. However, growth in ESI coverage was very modest in families with children headed by single mothers. Medicaid rates for these families declined by three times as much as the growth in ESI. As a result, overall coverage rates fell for non-citizen single-mother families by more than 12 percentage points in less generous states and by 6 percentage points in more generous states. This finding suggests that welfare reform may have increased the vulnerability of single-mother households.

As with other policies for the uninsured, policymakers need to consider these distributional effects instead of grouping all immigrants (or all uninsured) together.

— Catherine McLaughlin, Ph.D.  
Professor at the University of Michigan and Director of ERIU

Medicaid and ESI Enrollment: Pre- and Post-Welfare Reform



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## Q&A with George Borjas, Ph.D.

*George Borjas, Robert W. Scrivner Professor of Economics and Social Policy at Harvard University's John F. Kennedy School of Government, focuses his research on the economic impact of immigration. Borjas recently authored a paper, "Welfare Reform, Labor Supply, and Health Insurance in the Immigrant Population," for ERIU.*

**Q:** *Did you expect immigrants to pick up employer sponsored insurance (ESI) coverage at the rate they did after welfare reform?*

**A:** I was very surprised because I didn't expect the labor supply response to be that strong. I thought for sure that disadvantaged immigrants cut off from Medicaid would show up eventually in the uninsured rates. I was truly surprised that it didn't.

**Q:** *Why did immigrants' ESI coverage rates rise in the face of welfare reform and cuts in Medicaid, particularly in states with less generous benefits?*

**A:** When the threat of getting cut off was enacted through the welfare reform legislation a lot of immigrants went back to work. One could say that maybe this was the late 1990s so that it was a booming economy that attracted a lot of people to work, but in my work I adjust for these economic changes. It's really a very simple story: for immigrants who were potentially cut off from Medicaid, many of them went to work and were able to get health insurance coverage through their jobs.

**Q:** *It's not as though immigrants have an easy time getting ESI. Don't immigrants have a higher rate of being uninsured?*

**A:** A very large fraction of immigrants are not covered. Only 12 percent of natives are not covered by insurance. For immigrants, it's 32 percent.

**Q:** *What do your findings say about Medicaid and public health insurance coverage crowding out private coverage?*

**A:** Most crowd-out studies look specifically at Medicaid. When I looked at the immigrant population, I examined cutbacks in all public assistance, not just in Medicaid. So maybe that's one reason I'm finding such a strong effect. Plus for immigrants, it wasn't just Medicaid that was potentially being cut off, it was Medicaid, cash benefits and food stamps. The combination of all these factors, really a complete removal of the safety net in a sense is what motivated many immigrants to get jobs that brought in employer health insurance coverage.

**Q:** *What would you suggest to state policymakers dealing with budget crises?*

**A:** The big picture with immigration and welfare reform really involves the devolution of power to the states. If you take my work at face value, it seems to suggest that states that have replaced the programs cut off at the federal level didn't really have to, if all they wanted to accomplish was to keep the immigrants covered with health insurance. Even the states that didn't do this, immigrants did just as well.

**Q:** *What are two of the biggest take-aways for healthcare policymakers from your research?*

**A:** The immigrant population has a particular problem with health insurance coverage. Many of them are not covered. Secondly, welfare reform did not work as expected for this population. One would have expected that welfare reform would have led to a pretty sizeable increase in the already very large number of uncovered immigrants and it did not.

For text of the full interview and paper, visit:  
[www.umich.edu/eriu/findings/highlights.html](http://www.umich.edu/eriu/findings/highlights.html)

For a summary of findings, data, and methods, visit:  
[www.umich.edu/eriu/findings/findings\\_borjas.html](http://www.umich.edu/eriu/findings/findings_borjas.html)

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Funded by The Robert Wood Johnson Foundation, ERIU is a five-year program shedding new light on the causes and consequences of lack of coverage, and the crucial role that health insurance plays in shaping the U.S. labor market. The Foundation does not endorse the findings of this or other independent research projects.

### UPCOMING

This Research Highlight is the seventh in a series of research-based policy documents that will address current questions and issues related to the health care coverage debate. The next Research Highlight will examine the effects of BadgerCare, Wisconsin's public health insurance expansion program, enacted on the heels of the state's welfare reform.