

Is There a System Supporting Low-Income Working Families?

*Sheila Zedlewski, Gina Adams, Lisa Dubay,
and Genevieve Kenney*

Low-Income Working Families

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SUMMARY

This paper considers four programs—Medicaid and the State Children’s Health Insurance Program (SCHIP), food stamps, child care subsidies, and the earned income tax credit (EITC)—that form the core work support system for low-income working families in the United States. These programs potentially provide health insurance, assistance with food purchases, assistance with child care expenses, and an earned-income supplement to low-income working families that meet certain eligibility criteria. The paper begins by describing the recent evolution of these programs and the key differences and similarities in how their funding, eligibility, and delivery systems work. The next section describes recent trends in program participation and examines the receipt of benefits among working families in 2002. It then synthesizes the recent literature that helps to explain observed differences in program participation. The third section illustrates some recent innovations that attempt to deliver work supports to low-income families through a more efficient, coordinated system. The final section summarizes our findings and their implications for improving the work support system in the United States.

The key findings in the paper include the following:

- All four programs have unique eligibility benefit rules, and with the exception of the federal EITC, the rules vary across states. Eligibility can vary by work status, age of children, and immigrant status. It varies greatly by income levels across the different programs. Some programs have financial asset tests, and many have child support enforcement requirements. Some require cost sharing that varies as income changes.
- Spending on work supports increased between 1996 and 2002, the period following the 1996 federal welfare reforms. In 2002, federal and state governments spent \$131 billion on these work support

programs, 27 percent more than in 1996 (in real terms). Expansion in Medicaid and SCHIP enrollment and rising health care costs account for the lion's share of the spending increase. Funding constraints in the work support programs with fixed block grants (SCHIP and child care), state matching requirements, and federal administrative oversight vary across the programs and create unique challenges for states.

- Considering only the non-tax benefits in this set of work supports, most low-income working families (those with income below 200 percent of the federal poverty level) receive only one support or none at all. About 5 percent of all low-income working families with children younger than 18 receive all three benefits (Medicaid, food stamps, and help paying for child care). Even among the working poor (income below 100 percent of the federal poverty level)—families most clearly within the income eligibility ranges of all programs—25 percent receive no support, and only 7 percent receive all three supports.
- Receipt of non-tax benefits also varies across families by work hours. Poor families with at least one full-time worker are less likely to get help than families with a moderate or minimal work attachment. For example, about 5 percent of working poor families with at least one full-time (at least 1,800 hours), full-year worker receive all three supports, compared with 11 percent of families with parents working fewer hours and no parent working full-time.
- The EITC, in contrast, reaches a large share of low-income families. More low-income families are eligible for the EITC than any other work support. Assuming that eligible families take the tax credit, many working poor families receive the EITC alone (23 percent), the EITC combined with Medicaid and food stamps (31 percent), or the EITC with Medicaid (25 percent). Still, only 7 percent of working poor families receive all four work supports.
- Receipt of tax and non-tax work supports also varies across family characteristics. Single mothers and citizens are more likely to receive supports than married parents and noncitizens. The results also demonstrate the continuing strong connection between receipt of work supports and welfare. About 25 percent of working poor families with a current or recent connection (in the past two years) to welfare receive the entire package of support, compared with 6 percent of families without a welfare connection.
- A review of numerous studies shows some important similarities and differences among factors that explain variations in participation rates for families eligible for work supports. Some common individual characteristics that explain below-average participation include noncitizen status, low education level, and lack of knowledge about program rules. The ages of children can matter, with younger children more often participating in Medicaid and non-infant, preschool-age children receiving care subsidies more often than school-age children. Studies also confirm that income and potential benefits affect participation. As one would expect, families eligible for larger benefits (usually eligible families with the lowest incomes) are more likely to seek help than others.
- Important institutional features that affect program participation include funding and whether a program guarantees benefits to families that meet eligibility criteria. The child care subsidy and SCHIP programs are capped block grants with required state contributions, while food stamps, Medicaid, and the EITC are entitlements funded by the federal government either entirely or, in the case of Medicaid, with a state match requirement. As a result, in tight budget times, states may cap participation in child care subsidies and SCHIP, freeze enrollment, or discourage participation in other ways.

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- Research studies also demonstrate that local office procedures and enrollment processes can make a large difference in participation. Recent changes simplifying Medicaid eligibility for children, for example, played a role in increasing program participation. Waiving requirements for face-to-face interviews and moving intake away from a welfare office also seem to increase participation. Also, numerous studies show that programs with delivery systems friendly to working families—office hours outside regular work hours, a “pro-participation” attitude, and the availability of translators—increase participation. Studies also demonstrate that procedures requiring onerous documentation can reduce participation among eligible families.
 - Some recent state initiatives, welfare-to-work experiments, and innovations reaching children eligible for Medicaid/SCHIP and child care subsidies provide valuable lessons. States that coordinate their work support delivery systems show that higher participation can be achieved without risking higher payment errors. Recent experiments show that delivering a package of supports that includes health insurance, child care subsidies, and a wage supplement (similar to the effects of families receiving all the benefits in the current work support system) can increase work effort, decrease poverty, and increase the well-being of younger children. Even more narrow innovations that link participation across programs for low-income families can increase participation.

IS THERE A SYSTEM SUPPORTING LOW-INCOME WORKING FAMILIES?

Over the past several decades the United States slowly has changed the emphasis of its income support system from low-income families on welfare to low-income families that work. This paper examines the four key federal programs that form the core of this work support system, including Medicaid and the State Children's Health Insurance Program (SCHIP), food stamps, child care subsidies, and the federal earned income tax credit (EITC). These four programs help to ensure that parents working at low-wage jobs have enough total income to support an adequate standard of living.¹

The EITC emerged as the first pure work support program in 1975 to give low-income families with children relief from payroll taxes.² Two other federal programs, Medicaid and Food Stamps, originally focused more on poor families receiving cash welfare benefits and those unable to work, now are seen as additional, potentially important supports for working families. Beginning with federal involvement in 1988, child care subsidies also primarily supported mothers on welfare (if working or in education and training activities) and as a transitional support for mothers leaving welfare for work.³

These programs began to evolve in the 1980s, starting with Medicaid expansions to children with parents not on welfare, and later in 1990 when the federal government created additional programs to fund child care subsidies for families not on welfare. The work support system was enhanced in 1993 with a major expansion of the EITC and the federal welfare reforms in 1996 that decoupled Medicaid from welfare and further weakened the link between child care subsidies and welfare. In 1997 SCHIP provided further support for low-income children without regard to their parents' welfare status. The evolution of the Food Stamp program only began in the late 1990s, when states were given numerous options to help working families get nutrition assistance.

As the work support system evolved, it also became more complex. The programs evolved from their original roots, often incrementally adding new eligibility categories on top of old ones. For example, Medicaid eligibility sometimes varies across individuals in the same family. With the exception of the federal EITC, the evolution since the early 1990s also introduced greater state flexibility. Many states have struggled to adjust their delivery systems to accommodate working families. States and the federal government must also strike the right balance between access and program integrity. Limited dollars and a desire for taxpayer accountability encourage targeting and strict oversight. Yet, these factors also can discourage low-income families from participation. As we describe later, researchers have amassed substantial evidence that working families have difficulty navigating this complex work support delivery system. Families often need substantial assistance to get these benefits, and many avoid the more complex and “welfare-like” parts of the system.

The paper is divided into four sections. First, we describe how these programs evolved into a work support system and describe their key characteristics. Then we describe recent participation trends and examine the receipt of work supports by families with different work and income characteristics. After that, we synthesize the literature explaining how individual characteristics and program characteristics affect participation and sometimes collide to make getting help difficult for some families. We also highlight some recent innovations designed to get support to working families through a simpler, more integrated system. We end with a summary and discuss the implications of the findings for the work support system.

How Does the System Work?

Variation characterizes the four work support programs. All have evolved from different roots that are still reflected in their delivery systems. Programs vary in how they are funded, how they establish eligibility, and how benefits are delivered. They also vary in their emphasis on program integrity, and they place different emphases on work incentives. These basic program features in turn affect families’ access to benefits.

Evolution of a Work Support System

The work support programs were not planned as an integrated system. Instead, individual programs originally designed with other primary functions in mind evolved independently with little or no thought about how low-income families might navigate the system of supports.

The evolution of Medicaid began in the late 1980s. States were given the option and eventually mandated to provide Medicaid coverage to all children in families with incomes below 100 percent of the federal poverty level (FPL) and pregnant women and children under age 6 with family incomes below 133 percent of FPL. States also could cover children and pregnant women with higher incomes. These “poverty-related” Medicaid expansions began to grant coverage to individuals within families rather than to entire family units. While the poverty-related expansions decoupled eligibility for Medicaid from eligibility for Aid to Families with Dependent Children (AFDC) for children and pregnant women, coverage for parents remained linked to welfare. States could extend eligibility to parents not eligible for AFDC only through cost-neutral research and demonstration waivers (Section 1115). Only a few took advantage of the waivers.

The federal involvement in child care subsidies expanded in 1988 with the Family Support Act (FSA), and provided child care subsidies as an entitlement to welfare recipients required to work or attend

work activities and for families transitioning from welfare for work for up to one year.⁴ The federal government shifted this support toward working families in 1990 with the passage of the Child Care Development Block Grant (CCDBG) and the At-Risk Grants to States, both of which expanded subsidies for low-income working families not on welfare (U.S. House Committee 2004). While funding was not sufficient to cover all low-income working families, the legislation signaled a change in the purpose of the federal funding.⁵

The federal EITC was expanded many times after its enactment in 1975, but 1993 marked a substantial move toward making the credit the backbone of a work support system. President Clinton wanted to make full-time work at the minimum wage together with the EITC and food stamps enough to lift a family of four above the poverty level (Finance Project 2005). In 1993 the maximum credit rate for families with two or more children was increased from 25 to 40 percent of earnings, and the credit does not fully phase out until family income is considerably above the poverty level.

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) moved income support programs closer to the goal of serving working families. This act substantially weakened the links between Medicaid, child care subsidies, and welfare by giving states greater flexibility to focus these supports on families outside welfare. For example, PRWORA allowed states to cover parents for Medicaid under the same guidelines that they used for children. It also generally required states to provide Medicaid eligibility to all those who would be eligible under the 1996 AFDC standards.

PRWORA eliminated the entitlements to child care subsidies for welfare families and consolidated many of the major federal child care programs into an expanded CCDBG (PL 104-103). While states were still encouraged to help families needing child care leave welfare through their Temporary Assistance to Needy Families (TANF) requirements, the CCDGB provisions gave states more flexibility in choosing how to best use their resources to support the overall goal of promoting self-sufficiency through work (U.S. House Committee 2004). The CCDBG also streamlined the federal rules and increased state flexibility. The PRWORA legislation also permitted states to use up to 30 percent of their new welfare block grants to finance child care subsidies.

In 1997, Congress offered insurance to a larger group of children in low-income families through the State Children's Health Insurance Program. The legislation set up a capped block grant to encourage states to cover children in families with incomes up to 200 percent of FPL or higher. States had to share the cost of coverage with the federal government, but with a lower match than required in the Medicaid program. Initially, coverage under SCHIP was limited to children but beginning in 2001, states were allowed to cover parents through waivers.

Changes in the Food Stamp program (FSP) came last in this evolution. While working families that met the income and asset thresholds were always eligible for food stamps, some program rules were not compatible with working families' lives. The FSP's strict limits on the fair market value of a vehicle, for example, limited eligibility for many working families that required a reliable car to get to work. The program's limited certification period for workers (often three months), frequent face-to-face interviews, and office hours limited to the workday all made it difficult for working families to apply for and maintain food stamp benefits.

In 1999 new federal regulations gave states options for increasing access to food stamps for working families. States could reduce income reporting requirements, lengthen certification periods for fami-

lies with earnings, and reduce the face-to-face interview requirement to once a year. Reporting requirements were eased further in 2000 when regulations allowed states to use semiannual reporting for families with earnings. The 2000 federal regulations and the 2001 Agriculture Appropriations Act gave states the authority to use more generous vehicle tests. Later, the 2002 Farm Bill gave states additional options to simplify income definitions and income deductions and reformed the quality control system, making it much less likely that states will be penalized for payment errors.

Despite the progress made over the past two decades, many programs we consider in the core set of work supports maintain close ties to their roots, which linked these benefits to the receipt of welfare. Most states, for example, still maintain special Medicaid eligibility categories tied to welfare. States typically give priority for child care subsidies to families on or leaving welfare, and families at higher income levels only receive services if sufficient funds are available. The FSP retains near-automatic eligibility for families on welfare, and the FSP and Medicaid provide transitional benefits for families leaving welfare for work. Also, families on welfare learn about these other government assistance programs and often receive application assistance from their caseworkers.

Funding

Funding streams vary across the work support programs in ways that can affect working families' access to benefits. Several supports are entitlements, including food stamps, Medicaid, and the EITC, and funds expand to meet the changing needs of families. SCHIP and child care, on the other hand, are block grants with funds generally fixed over time. Federal and state shares of funds also vary across the programs; some programs require states to share only the cost of administration while others require states to match some of the federal funds. The programs with capped funds force states to prioritize which families get support and sometimes make it difficult for states to plan their spending because their share of the federal block grant funds may vary over time.

Food stamps and the EITC are paid fully by the federal government (except that all states pay half the cost of administering the FSP, and some pay for benefits for legal immigrants ineligible for federal benefits). States have substantial incentives to make sure that working families receive these federal entitlements; benefits increase families' purchasing power at little cost to the states.

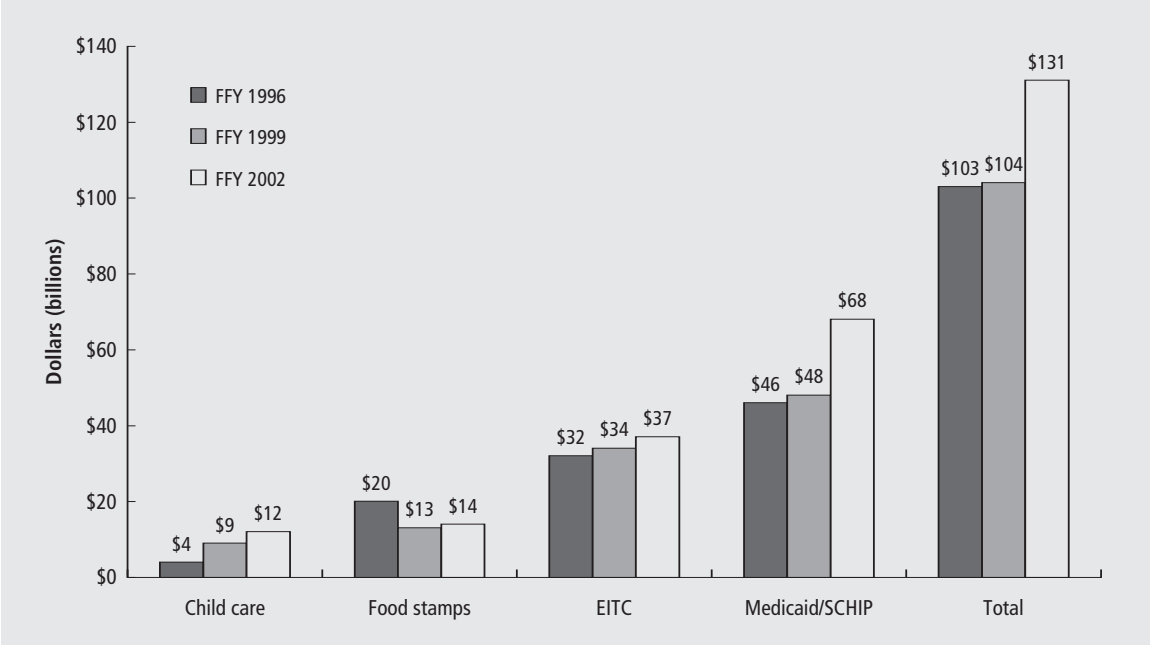
Medicaid/SCHIP and child care present a more complex funding dilemma for states. On average, states pay about half the cost of Medicaid benefits and about 35 percent of the cost of SCHIP benefits.⁶ Medicaid and SCHIP funding differ. Federal Medicaid funding is not capped (families receive benefits by entitlement after states choose which families to cover), whereas federal SCHIP monies are capped at amounts that vary across states. SCHIP allocations use a "blended allocation formula" that takes into account the number of uninsured children in low-income families and the overall number of children in low-income families in each state (Kaiser Family Foundation 2003). The allocation formula introduces uncertainty into states' decisions because amounts vary unpredictably over time.

Child care subsidies also require a state match, which varies depending on the source and history of the federal child care funding. The CCDBG (sometimes referred to as the Child Care and Development Fund, or CCDF), the primary federal child care subsidy grant program, includes two types of state matching requirements. States must meet maintenance of effort and matching requirements (using the Medicaid federal matching rates) to qualify for funds under the entitlement part of the CCDBG, but only for the funds distributed to states on the basis of their share of children under

age 13. On average, states pay 30 percent of the CCDBG child care costs through these match requirements, but the shares vary from 10 percent in Mississippi to 35 percent in California.⁷ Child care subsidy costs financed through the TANF block grant require, on average, a 43 percent match.⁸ Some states finance child care beyond these two sources, including about \$200 million in Social Services Block Grant (SSBG) funds (U.S. House Committee 2004) and state funds above the match requirements.

The nature of program funding and recent program changes have dramatically affected trends in program spending. In fiscal year 2002 the federal and state governments spent over \$130 billion across these four programs on benefits for families with children (figure 1).⁹ Total real costs for families with children increased by \$28 billion (27 percent) between 1996 and 2002. Medicaid and SCHIP accounted for about half the 2002 spending and for the lion's share of the spending increase over this period. Medicaid and SCHIP spending increased by \$22 billion (48 percent) between 1996 and 2002. The increase mostly occurred between 1999 and 2002, reflecting the expansion of take-up in both programs and the economic decline that began in 2000 (Holahan and Ghosh 2005).

FIGURE 1. Relative Size of Work Support Programs, Federal and State Spending



Sources: For child care funding estimates, CLASP (2005) for 2002 and HHS (2003) for 1996 and 1999. For Food Stamp program spending, USDA (1999, 2001, 2003). For earned income tax credit (EITC) spending, Parisi and Hollenbeck (2004) for 2002, Campbell and Parisi (2001) for 1999, and Campbell and Parisi (1999) for 1997. For Medicaid spending estimates, authors' calculations based on Holahan and Ghosh (2005) for 1999 and 2002, and authors' calculations based on Holahan, Bruen, and Liska (1998) for 1997. For SCHIP spending estimates, Kaiser Family Foundation (2003) for 2002 and CMS (n.d.) for 1999.

Notes: Federal and state administrative costs are not included in spending estimates for food stamps, EITC, and Medicaid. Child care and SCHIP spending estimates include state administration costs. Administrative costs associated with SCHIP expansion through Medicaid may also be included in spending estimates if states chose to claim costs at enhanced federal matching rates. Federal fiscal year (FFY) 1996 and FFY 1999 spending are inflated to represent a 2002 value using the Consumer Price Index (CPI-U). Food Stamp program spending refers to benefits paid to households with children. EITC spending is the total value of credits under returns with one or more qualifying children. Medicaid estimates include spending for nonelderly, nondisabled adults, and children; SCHIP spending includes all recipients. Due to the unavailability of Medicaid data, spending for FFY 2000 was adjusted using the CPI-U to estimate spending for families in FFY 1999. Child care estimates refer to funding, rather than expenditures, for each FFY and include Child Care and Development Block Grants, Social Services Block Grant funding for child care, and TANF-related child care funding (TANF transfer, TANF direct, and state maintenance of effort and matching funds).

Child care subsidy funding more than doubled between 1996 and 1999 (from \$4 to \$9 billion) reflecting the new funding included in the 1996 welfare reform package and states' use of TANF funds to finance child care subsidies. Spending increased more gradually between 1999 and 2002 (from \$9 to \$12 billion, 33 percent) as states increased the share of their TANF funds devoted to child care, and the entitlement part of the CCDBG increased modestly between 1999 and 2002 (from \$2.2 billion to \$2.7 billion, according to the U.S. House Committee 2004).

Trends in food stamp costs followed a different pattern from 1996 to 2002. The steep decline between 1996 and 1999 reflects a huge drop in caseloads, especially among families with children. The subsequent increase from \$13 to \$14 billion between 1999 and 2002 reflects an increase stemming from program reforms (discussed in more detail below) and the weakened economy.

In contrast to the other work support programs, real EITC spending increased steadily from \$32 billion in 1996 to \$37 billion in 2002. No major changes occurred in the program during the period, and the spending responded to an increase in the number of families that applied for the credit and the amount of credit received.

Eligibility

Low-income working families face a vast array of eligibility rules across the different work support programs (table 1). Work status, children's ages, and immigrant status can affect eligibility. The programs' income eligibility standards also vary broadly. Some programs have asset limits while others do not. The eligibility variations reflect differences in focus among the programs: Medicaid and food stamps, for example, cover a broad group of low-income families, but child care subsidies and the EITC focus primarily on working families.

Medicaid is the only program that varies income eligibility limits by age and family status. Most states provide coverage for children under age 6 with family incomes up to 133 percent of FPL and for children age 6 to 18 with family incomes up to 100 percent of FPL; the median eligibility threshold for working parents is up to 67 percent of FPL.¹⁰ SCHIP fills in the gap, usually providing coverage for children up to 200 percent of FPL (13 states cover children above 200 percent of FPL; one state, New Jersey, covers children up to 350 percent of FPL; and several states have thresholds below 200 percent of FPL). In contrast, only 17 states covered parents with income at or above 100 percent of FPL in 2004.

Food stamps are generally limited to families with incomes below 130 percent of FPL.¹¹ The EITC generally offers support to working families with incomes higher than the limits used in the Medicaid and food stamp programs. The EITC phases out at 226 percent of the poverty level for a single parent with two children. Also, many states' child care subsidy programs officially set eligibility levels higher than Medicaid and FSP levels, although states typically limit subsidies to a much lower income group because their funds are not sufficient to provide benefits to all families that qualify. Officially, the median state in 2003 set the income eligibility standard for child care for a family of three at about 194 percent of the poverty level (26 states set eligibility at 194 percent of the poverty level or higher).¹² The official 2003 income eligibility limits ranged from 103 percent of FPL in Ohio to over 240 percent of FPL in Alaska, the District of Columbia, Hawaii, Maine, and Nevada.

Child care also has its own age of child and minimum work requirements. Children must be under age 13 to be eligible for subsidies. Parents must be working or in a TANF-approved work-related

TABLE 1. Eligibility Requirements that Affect Access for Working Families

Feature	Medicaid	SCHIP	Food stamps	Child care	EITC
Categorical eligibility	Low-income families, children, and, with a waiver, single adults.	Children and, with a waiver, parents.	None.	Parents must be working, in TANF work-related activities, or in education or training (varies by state) unless child is in protective services. Children must be under age 13 unless they have special needs.	Families with earnings and children. Child must be under age 19, under age 24 and a full-time student, or disabled and must live with the taxpayer for more than half of year and receive half of care from taxpayer.
Immigrant eligibility	Legal immigrants in U.S. for 5+ years; emergency Medicaid for other immigrants.	Legal immigrants in U.S. for 5+ years.	Legal adult immigrants in U.S. for 5+ years, all children under 18.	All immigrants.	Aliens authorized to work in U.S.
Income eligibility	Limits vary by eligibility category and state. On average, below 133% of FPL if children under 6, 100% of FPL if children over 6, and 67% of FPL if working parent.	Varies by state. Ranges from 133% to 350% of FPL.	Below 130% of FPL.	Limits vary across states: the "official" median limit was 194% of FPL in 2003. Limits range from 103% to over 240% of FPL (2003 state plans).	Credit phases to zero at AGI below 226% of FPL if single with two children and below 185% of FPL if married with two children. Phaseout begins at 92% and 79% of FPL, respectively (2004).
Income disregards	Varies by state. Can use gross income, standard (and higher) earned income, and/or child care deductions.	Varies by state. Can use gross income, earned income, and/or child care deductions.	Standard and earned income deductions, shelter and child care expenses.	Not required in federal law, and most states have not adopted earnings disregards.	None.
Asset tests	State option, varies by eligibility group; 5 states apply for children and 29 states for parents (Kaiser 2004).	State option, but rare.	Financial assets limited to \$2,000 and car value limited (in some states).	Not required in federal law; only 2 states had limits in FY 2004.	Income from assets cannot exceed \$2,650 (2004).
Maximum annual benefit for parent and two children	Average spending per family \$4,827 if below 69% of FPL and \$2,888 if 70%–133% of FPL (2002), reflecting differences between full and partial family coverage.	Average annual benefit per family \$1,876 (2002).	Maximum annual allotment for three people in household \$4,272 (2002).	Maximum benefit varies by state, ages of children, number of hours of care, location of the care, and copay charged in the state.	Maximum credit \$4,140 (2002).
Copay/premium requirement	Limited ability to require co-payments and/or premiums without waiver.	Varies by state and limited to 5% of income; 33 states required premium in 2004.	None.	Copays typically increase with income and vary across states; 32 states use flat rate formula that increases copay by income bracket.	None.

Sources: For Medicaid and SCHIP: <http://www.statehealthfacts.org>; for food stamps, <http://www.usda.gov/fsp> and USDA (2003); for child care, Giannarelli (2005), HHS (n.d.), and Schulman and Blank (2004); for EITC, IRS (2005) and "EITC Parameters 2002," http://www.taxpolicycenter.org/TaxFacts/TfDb/TF_Template.cfm?DocID=35&Topic2id=40&Topic3id=42. AGI = adjusted gross income; FPL = federal poverty level; FY = fiscal year.

activity. Some states require a minimum work effort for child care subsidy eligibility (Giannarelli 2005).¹³

Another important difference across the programs is income disregards. Disregards generally provide higher net benefits for families with certain sources of income or expenses, to encourage that form of income or offset the costs of essentials for families. The FSP uses many disregards. Working families, for example, qualify for deductions for earned income, shelter expenses above the norm for their area, and child care expenses. Medicaid also uses disregards, with earned income disregards common for parents under most eligibility categories. Medicaid programs often use different earned income disregards for applicants and enrollees. States frequently use, for example, a \$90 per month earned income disregard for applicants under the 1931 rules, but they disregard a larger share of earnings for recipients. This allows working parents to continue coverage when their earnings increase. Some states apply income disregards when determining income eligibility for SCHIP. These states typically disregard child care expenses, and a few use earned income disregards. Income disregards are less common for working families in states' child care subsidy programs. According to the 2003 state Child Care plans, only five states use earned income deductions (Giannarelli 2005).¹⁴

With the exception of food stamps, work support programs rarely use asset limits. Most states do not use asset tests in their child care subsidy programs; the EITC sets a very high threshold for assets (income from assets cannot exceed \$2,700 in 2005). Only 5 states use asset limits to determine Medicaid eligibility for children, but 29 states still use asset limits for parents' eligibility. Working families with no connection to welfare and \$2,000 or more in savings do not qualify for food stamps.¹⁵ However, new state options substantially reduced the importance of the federal vehicle test, which prohibits FSP eligibility for families owning a vehicle with a fair market value more than \$4,650 (unless 50 percent of the vehicle's use is for producing income). About 22 states now allow families to own at least one car of any value, and most other states at least have increased the allowable value of one car to \$10,000.

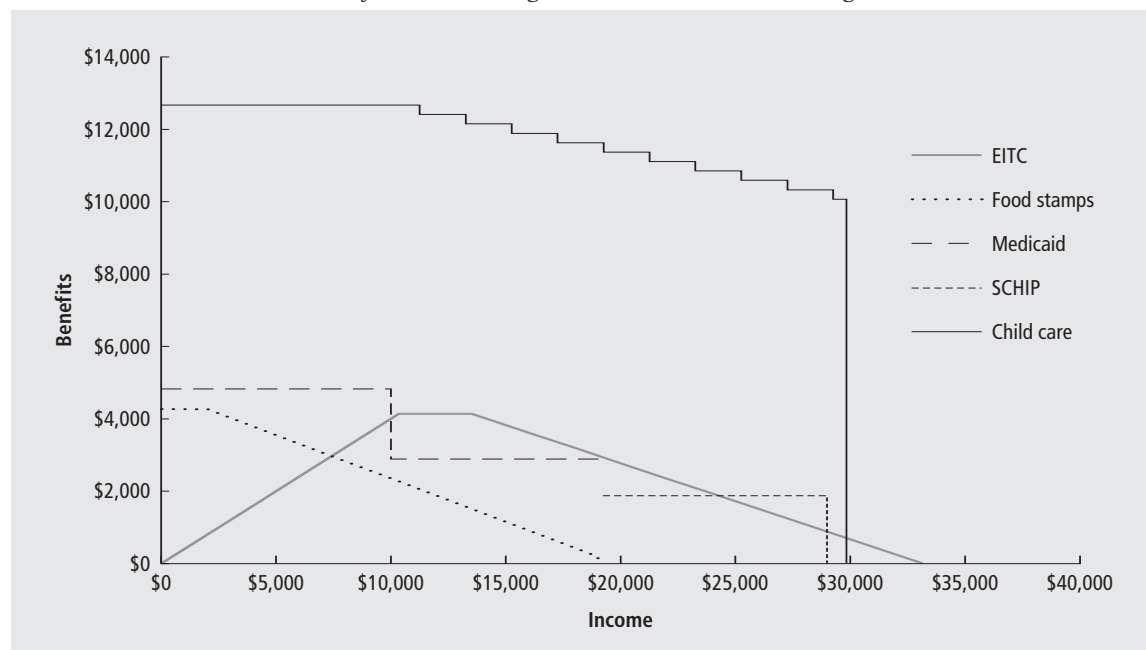
Benefit phaseout rules

After a family qualifies for a benefit, it faces different rules about how the benefits phase out. Medicaid is unique because once families meet the eligibility criteria they receive the full value of the benefit until income exceeds the eligibility threshold. (Cost sharing is limited in Medicaid.) States may charge a premium for SCHIP, but total cost sharing including premiums cannot exceed 5 percent of family income. In contrast, the FSP generally reduces benefits by 30 cents for each additional dollar of income.

Child care subsidies also typically decline with income. In 2003 all states required all but the lowest-income working families not on welfare to share the cost of care (Giannarelli 2005). Copayment requirements vary considerably across the states. Some states (11) require families to pay a share of their income for child care, others (32) use a flat rate formula that increases the amount paid by income bracket, and others (7) require families to pay a percent of the child care costs. Copayment amounts also vary across the states. In 2004 the copayments for a family with a poverty-level income ranged from 1 to 2 percent of income to 13 to 14 percent of income (Giannarelli 2005). The EITC begins phasing down the credit at 92 percent of the poverty level for a single-parent, two-child family and at 79 percent of the poverty level for a two-parent, two-child family.

Figure 2 illustrates how benefits *potentially* can vary across the patchwork of programs in the work support system for a single parent with two children living in Pennsylvania. A family earning \$10,000

FIGURE 2. Potential Annual Benefits Paid to a Single Parent with Two Preschool-Age Children, FY 2002



Sources: For the earned income tax credit (EITC), data from the Urban–Brookings Tax Policy Center; for food stamps, USDA (2003); for Medicaid and SCHIP, Holahan and Bruen (2003); for child care, authors' calculations based on Shulman (2000).

Notes: Value of the EITC for an adult with two qualifying children calculated with 2002 parameters reported by the Urban–Brookings Tax Policy Center. Food Stamp program benefits are for a three-person household. Medicaid benefits estimated using spending information for children and nonelderly, nondisabled adults. Calculations assume benefits for three under Medicaid up to 69 percent of the federal poverty level (FPL), benefits for two children under Medicaid between 69 and 133 percent of FPL, and benefits for two children under SCHIP between 133 and 200 percent of FPL. For child care benefits, reimbursement rates to providers, average costs of care, copay requirements, and income eligibility levels for benefits vary across states. The majority of states use a flat rate copayment formula that increases with income to determine family contributions to care and benefit amounts, and Pennsylvania is fairly representative of a state with a flat rate copayment formula. Using information from the 2003 child care state plans, we used the copay scale and corresponding income limits for a parent with two preschool-age children in full-time center care in Pennsylvania to estimate the potential benefit level for child care. As for cost of child care, most states will reimburse providers for costs up to the 75th percentile of market rates. Because we were unable to locate a distribution of costs, the cost estimate used is the average cost of center-based care for a 4-year-old in Pittsburgh, PA, in 2000. Using the Consumer Price Index (CPI-U) to inflate the estimate to a 2002 value, we approximate that the annual cost of care for two preschool-age children is just under \$13,000. From this cost, we subtract the copay requirement by income for a family of three and show the net cost (\$12,740) as the value of the potential child care benefit. The income eligibility for a family of three in Pennsylvania is from the 2003 child care state plans and is \$30,516 a year in 2003 (\$29,836 in 2002 using CPI).

(69 percent of the poverty level in 2002, assuming a full-time job at the minimum wage) potentially could receive about \$23,600 in work supports. This calculation includes child care subsidies of \$12,400 for two young children in center-based care full time,¹⁶ Medicaid for the parent and both children (\$4,830), food stamps (\$2,350), and the EITC (\$4,000).

The total amount of work supports available to this theoretical family is obviously very sensitive to the child care subsidy value. First, it assumes a family can receive a child care subsidy, but we know many states limit the number of children subsidized to stay within the fixed block grant monies available from the federal government. Second, subsidized families with older children, parents working less than full time, and families using less-expensive, family-based care would receive less because their child care costs would be lower. Total benefits also would depend on where a family lives since the cost of child care and the copay formulas vary considerably. The average funding for a child care subsidy per child was \$4,770 in 2002 (total federal and state subsidy funding of \$11.64 billion divided by the

2.44 million subsidized children), or \$9,540 for a family with two subsidized children. This lower national average reflects variations in hours of care, variations in the cost of care across children of different ages, and different states' provider payment policies.

Figure 2 shows how the value of benefits declines as income rises, and how each program has its own unique phaseout rules. At \$20,000 (138 percent of the poverty level), for example, the family would potentially qualify for \$15,240 in benefits, including SCHIP just for the children (the average benefit per child was \$940), a child care subsidy of \$10,590 (using the assumptions outlined above), and an EITC of \$2,775. At this level of income the family no longer qualifies for food stamps. The benefit package drops precipitously as family income rises to \$30,000 (200 percent of the poverty level). In most states, this family would no longer be eligible for child care subsidies, the EITC would be worth about \$670,¹⁷ and the children would no longer be eligible for SCHIP. These illustrations, of course, assume that the family receives the entire package of benefits and that the programs work precisely the way they are defined in state and federal regulations.

Delivery Systems

Once a family is eligible, other program features play a role in whether the family receives benefits. One very important feature to keep in mind throughout this discussion is that program features for Medicaid, SCHIP, and child care subsidies—all but the EITC—vary across the states. Food stamp administration also varies across the states, especially with recent options offered.

State variation in delivery systems can reflect different philosophies about supporting low-income families, but it also can reflect available funding. As discussed earlier, SCHIP and child care subsidies essentially are funded through fixed block grants with state matching requirements. Unless states commit their own funds to reach a group of eligible children regardless of cost, states manage these programs to stay within federal block grant funds. This is particularly evident during an economic downturn or state budget crises such as those experienced in the early 2000s, when states restricted the number of children with child care subsidies through waiting lists, closed intake, or other changes in eligibility (Schulman and Blank 2004). Hill, Courtot, and Sullivan (2005) describe similar changes in states' SCHIP programs.

Delivery systems make a difference in working families' access to benefits. Some programs, for example, have specific requirements about applying for a child support order, and some have specific requirements about parents' work activities. How the family accesses benefits—whether through a welfare office or a less stigmatized location—can affect a working parent's desire to apply. Some programs require face-to-face visits for applicants while others allow electronic applications. Recertification periods, the length of time for which benefits are approved, and requirements for maintaining benefits during recertification periods also affect program participation.

The EITC provides the simplest delivery system for working families (table 2). It pays benefits to all families that qualify, it can be applied for online, and it pays a cash benefit. But the EITC can still present access hurdles to working families because the tax system and the EITC rules are complex. Taxpayers must be able to prove that they and their children reside together for over half the year in order to claim the credit. Families are usually on their own when completing tax returns, or they pay others to help them. They may turn to IRS-sponsored assistance centers for help with tax returns, but the limited availability of free assistance locations can mean long lines and long waits for service

TABLE 2. Program Characteristics that Affect Access for Working Families

Feature	Medicaid	SCHIP	Food stamps	Child care	EITC
Place for access	Varies by state and eligibility group. Includes welfare offices, health centers, hospitals, physician offices, and community organizations. Also Internet and mail applications.	Varies by state. Includes health centers, hospitals, physician offices, and community organizations. Also Internet and mail applications.	Welfare office.	Varies across states and localities. Includes welfare offices, subsidy agencies, and sometimes providers.	Individual tax return can be filed by mail or Inter-net.
Funding	Uncapped, federal and state matching formula.	Capped federal funding, federal and state matching formula at a higher match than under Medicaid.	Uncapped, federal government pays all but ½ administrative costs.	Capped block grant with state match, plus allowable transfers from TANF; some states spend more.	Uncapped federal payment.
Child support requirement	Custodial parents must cooperate with state's child support enforcement agency to pursue rights to private health coverage. (Parent may be denied, not children.)	None.	Must register for enforcement.	Not required by federal law; some states require cooperation.	None.
Other program interactions	If receive SSI, complex interaction with TANF.	Varies by state with federal approval—some exclude those with employer coverage or offer; some have uninsurance waiting periods.	Nearly automatic if receive TANF or SSI.	TANF recipients and TANF leavers often given first priority.	None.
Payment type	Payment to provider or managed care organization.	Payment to provider or managed care organization.	EBT card.	Primarily payment to provider (mostly vouchers, some contracts), some states pay some parents directly.	Cash to family.
Specific work requirements	Work history requirements for some parents in some states for some eligibility groups.	None.	Earned income disregard; about ⅓ subject to work participation rules.	Must be working (some states have a minimum hours requirement) or in approved work-related activities if TANF recipient.	Benefit increases with earnings.
Continuation requirements	Varies by state and eligibility category. Can include continuous eligibility of up to a year.	Varies by state. Can include continuous eligibility of up to a year.	Varies by state. Generally 3–12 months depending on eligibility category.	Varies by state. Generally 6–12 months with no change in circumstance, can be shorter.	Not applicable.

Sources: For Medicaid and SCHIP, <http://www.statehealthfacts.org>; for food stamps, <http://www.usda.gov/isp> and USDA (2003); for child care, Giannarelli (2005), HHS (2004), and Schulman and Blank (2004); for EITC, IRS (2005) and "EITC Parameters 2002," <http://www.taxpolicycenter.org/TaxFacts/Trdb/TFTemplate.cfm?DocID=35&Topic2Id=40&Topic3Id=42>.

(Holtzblatt 2004).¹⁸ Sixty-four percent of EITC filers turned to paid preparers for help in 2000 (Holtzblatt and McCubbin 2004, 159).¹⁹

Medicaid and SCHIP have simplified their administrative systems, especially for enrolling children. Most states have moved intake away from the welfare office, and families often qualify for benefits for one year. The Medicaid expansions in the late 1980s allowed states to drop the assets test for children and pregnant women, to implement presumptive eligibility for pregnant women, to accept mail-in applications, and to design shortened applications. States also were required to out-station eligibility workers in locations other than welfare offices by 1991. The 1997 SCHIP legislation allowed states to implement both presumptive and continuous eligibility for up to 12 months for children in both Medicaid and SCHIP. But complexity does arise because some states maintain two administrative structures for Medicaid and SCHIP. Parents can get confused because within the same family some children may be eligible for SCHIP and others for Medicaid.

States also have made substantial efforts to simplify the Medicaid eligibility determination process at enrollment and re-enrollment. These efforts include self-declaration of income at enrollment and passive re-enrollment, where enrollees are mailed an application with data from the previous year and are asked to note changes in income or family circumstances. These simplifications generally apply only to children and pregnant women. Parents often face greater access hurdles, similar to ones in place when Medicaid was linked to welfare, such as requirements for detailed income documentation at enrollment and frequent recertification (Cohen Ross and Cox 2003). Also, some procedural complications were introduced into SCHIP to deflect concerns about SCHIP substituting for private coverage. Some states require children moving from private coverage to SCHIP to remain uninsured for a specified waiting period, and others require proof that parents' employers do not offer health insurance. Also, some states have introduced new complexities into the SCHIP enrollment process, such as reintroducing shorter certification periods, as a means to limit costs during states' recent budget crises (Hill et al. 2005).

In contrast, the FSP maintains a more complex administrative system that often conflicts with the needs of working families. While benefit delivery systems vary widely across the country, a food stamp application usually requires at least one trip to a welfare office. Applicants may be seen on a first-come, first-served basis or they may be seen by appointment. Families applying for food stamps can face long lines, and office hours often are limited to typical work hours (Bartlett, Burstein, and Hamilton 2004). Once families meet with a caseworker, they face more hurdles. Food stamps require substantial proof of income and expenses (to qualify for disregards) and bank statements showing little or no assets. Food stamps also require a single-parent applicant to cooperate with the child support enforcement system. This requirement can be a deterrent because the child support process both introduces more administrative complexity and can raise fear about recriminations from noncustodial parents (Roberts 2003).

Low-income families can also face difficulties in applying for child care subsidies. While a characterization of practices across the 50 states is not available, one study of 17 sites demonstrated the wide variability in delivery systems (Adams and Snyder 2005). Some states contract out subsidy delivery to local nonprofits, some run it through their welfare or social service offices, and some make it available at both places. Child care subsidy offices typically require families to document their child care provider (Adams and Snyder 2005) so the agency can set up payment.²⁰ Some offices use appointments while others use a first-come, first-served system. A number of the offices are open only during regu-

lar working hours. Some states require child support cooperation as a condition of eligibility for subsidized care; Roberts (2004) notes that cooperation is one way to ration child care subsidies.

Other hurdles arise in food stamps and child care subsidies because benefits typically are awarded for less than a year. States now can certify food stamps for 6 months for working families (although some still use shorter periods), and most states set redetermination periods between 6 and 12 months for child care (though some set shorter time periods for some families). However, if families experience changes in their circumstances during their recertification period (such as changes in income, work schedules, child care providers, and so on), they often are required to report these changes to maintain eligibility. Child care subsidy sites and food stamp offices vary whether they require parents to visit the office in person for recertification and interim reporting. Even when a face-to-face visit is not required, some families find a visit is the only way to ensure that their paperwork is processed properly and that their benefits remain active (Adams and Snyder 2005).

Monitoring Payment Errors

While some program features create barriers to entry, these same features often aim to ensure program integrity. Work support programs face a trade-off between facilitating access to benefits and ensuring that only targeted families receive benefits. This trade-off becomes more apparent as programs focus on low-income working families, which often have erratic earnings and work hours and, therefore, frequent changes in benefit eligibility. Procedures designed to monitor nonworking welfare families may not work well for families with earnings. Policymakers face a delicate balance between minimizing payment errors and ensuring that eligible low-income working families keep their benefits and economic stability.

The core programs in the work support system place very different emphases on monitoring payment errors. In the late 1990s and early 2000s, Medicaid and SCHIP have focused more on extending participation than worrying about errors (though recent legislation, described below, may shift this emphasis), and until recently there has been little discussion (at least at the national level) of errors in child care subsidy payments. Of course, states' recertification and (sometimes extensive) reporting requirements for child care subsidy programs demonstrate a concern that subsidies are paid only to families that meet specific state requirements. In contrast to Medicaid and SCHIP and child care subsidies, monitoring errors in payments has been a strong federal requirement and focus in the FSP. EITC compliance issues have also received considerable attention in recent years.

Regulations require states to establish procedures for ensuring program integrity and detecting fraudulent activity for Medicaid and SCHIP. The Improper Payment Information Act of 2002 (IPIA) will strengthen these regulations by requiring the Centers for Medicare and Medicaid Services (CMS) to develop national error rates for Medicaid and SCHIP. Beginning with fiscal year 2006 states will be required to report improper payment estimates to the CMS annually. (CMS has been estimating error rates in Medicare since 1996.) Thirty-two states are participating in the federally funded Payment Error Rate Measurement pilot, which reviews a random sample of Medicaid and SCHIP claims monthly. The states must conduct eligibility, medical, and processing reviews for this sample.

The calculation of error rates has been an integral part of the FSP since the early 1970s. Before 2003, states were penalized for each year their error rates exceeded the national average. (Often these penalties

were invested in program improvements or corrective actions.) The 2002 Farm Bill changed this calculation substantially. Now only those states with persistently high error rates (5 percentage points above the national average for two consecutive years) face penalties. Some of the more onerous reporting requirements for families, especially those with earnings, were attributed to states overly concerned about payment penalties. The new error rate system allows states to ease these requirements with less fear of financial penalties.

Child care subsidies also come under the IPIA. The U.S. Department of Health and Human Services is working with states to determine an efficient and cost-effective approach to estimate payment errors in the child care programs. As noted earlier, states and local offices often implement procedures (such as recertification procedures and interim reporting of changes in eligibility) to make sure limited subsidy resources are allocated to families that meet specific state requirements. States now will be required to report error rates annually.

Concern about EITC noncompliance has increased in recent years. A 1999 Internal Revenue Service (IRS) study found that as many as 35 percent of payments were in error (roughly \$11.1 billion out of \$31.3 billion in EITC claims, according to Holtzblatt and McCubbin 2004). The payment errors included intentional noncompliance, often involving misreporting of filing status, and unintentional errors, often involving the definition and claiming of qualifying children.

The IRS has several electronic procedures in place to monitor payment accuracy (Holtzblatt 2004). Families must provide unique identifiers for each child over age 4 claimed as a dependent so the IRS can check for duplicate claims across taxpayers' returns. To a limited extent, the IRS uses child support orders and Social Security Administration data that connect children with their parents to check sources of support and living arrangements. The IRS also is testing commercial data sets with the names of cohabiting individuals to detect questionable claims of marital status. Individuals found to commit intentional fraud are denied the EITC for 10 years.

Reacting to congressional pressure to reduce EITC overpayments, the IRS announced a precertification experiment in 2003. IRS planned to ask 45,000 EITC claimants in the highest error rate categories (primarily fathers filing separately and nonparents) to provide more information on the qualifying children listed on their 2002 return. The IRS scaled the experiment back to 25,000 claimants in response to strong criticism and changed the requirement so taxpayers could submit the information with their current year's tax return rather than before filing. Results from the study show a reduction in EITC claims and the number of children claimed in the experimental sample compared with a control group. It is unclear, however, whether some eligible taxpayers in the experiment were deterred from applying or whether those who did not claim were not eligible. President Bush's 2005 budget recommends further tests of this experiment.

The variation in efforts to monitor fraud and abuse and the complexity of program procedures affects the cost of program administration. Administrative costs for Medicaid amounted to 4.6 percent of program costs in 2002 (Holahan and Bruen 2003). EITC administrative costs are estimated to be less than 3 percent of total payments (Holtzblatt 2004). The cost of administering child care subsidies in 2003 varied from 2.6 percent of spending for subsidies administered through the CCDF (HHS 2004) to 8 percent of spending for administering the TANF block grant across all TANF services. The FSP stands in stark contrast to the relatively low administrative costs in other work support programs.

The administrative costs were about 17 percent of benefits in 2004, reflecting states' greater emphasis on monitoring payment errors and the general complexities of the program.

Effects on Work

The evidence on how these supports affect work is somewhat mixed. Those programs more clearly designed to support work—the EITC and child care—seem to have significant, positive effects on the labor supply of single parents. On the other hand, those programs designed to serve a broader set of needs among low-income individuals—Medicaid and food stamps—have little, if any, such effect. Effects on work incentives could be expected, however, either negatively by providing a substitute for labor income or positively by stabilizing families' lives and thereby facilitating work.

Several recent econometric studies using longitudinal, individual-level administrative data from different states suggest that child care subsidies increase single mothers' labor supply and employment retention (Berger and Black 1992; Meyers, Heintze, and Wolf 2002). Lee and others (2004), for example, find that child care subsidies increased employment retention over a two-year study period by a large margin (from 25 to 43 percent, depending on the state studied).

Some other studies using survey data (cross-sectional and longitudinal) also suggest that child care subsidies are associated with positive employment outcomes (Blau and Tekin 2001). Danziger, Ananat, and Browning (2003) find that families leaving welfare with child care subsidies had better work outcomes than other families, including more months of work and more earnings. Tekin (2004) finds that receipt of subsidies increases the probability of single mothers' employment significantly (15 percentage points) and shows that single mothers who receive subsidies are more likely to work standard hours (regular, daytime hours) than nonstandard hours. Other researchers caution that these econometric studies do not prove a causal, one-way relationship between child care subsidies and employment; child care and employment decisions are interdependent.

Recent studies show that the EITC unambiguously encourages employment by eligible single parents, but its effects on hours of work by workers depend on the taxpayer's earnings. The credit encourages additional work at very low earnings by subsidizing earnings, but it may discourage additional work as it begins to phase out at higher earnings. The empirical evidence has conclusively shown the employment (labor market entry) effects as particularly strong. Yet one of the puzzles about the EITC is the lack of evidence for a positive effect on hours worked among those who are already working.

Several authors use a quasi-experimental approach to estimate the effect of the EITC on labor market outcomes.²¹ Eissa and Liebman (1996) find a sizeable labor force participation response for single mothers (2.8 percentage points out of a base of 74.2) but no discernible hours of work response. Hotz, Mullin, and Scholz (2003) also find positive effects on employment, especially among larger families.

Other nonexperimental approaches provide consistent results and suggest fairly strong participation effects, especially for female heads of households. Comparing the effects of time limits, the EITC, and other policy changes on welfare participation, labor supply, and income, Grogger (2003) concludes that the EITC may be the "single most important" policy parameter for explaining recent declines in welfare and increases in work and earnings among female-headed families. Meyer and Rosenbaum

(2000) find that more than 60 percent of a 9 percentage-point increase in the employment of single mothers between 1984 and 1996 was the result of EITC expansions. Dickert, Houser, and Scholz (1995) estimate that expansions of the EITC between 1993 and 1996 induced more than half a million families to move from welfare to work.

The EITC's positive effect on work is unlikely to hold among married couples, however. Primary earners (typically men) may slightly increase labor force participation, but most secondary earners in recipient families are expected to reduce their labor supply because the husband's earnings generate a cash transfer even if the wife is not working. Eissa and Hoynes (1998) find that EITC expansions between 1984 and 1996 led to modest reductions in hours worked by married women.

In contrast to child care subsidies and the EITC, studies have found little association between Medicaid expansions and labor force participation among low-income single mothers. Gruber and Madrian (2002) critically review 50 studies conducted over the past 10 years and conclude that Medicaid coverage, in general, is not a major determinant of the labor supply and welfare exit decisions of low-income mothers. While a few studies have found a small positive effect of health insurance on labor supply decisions for low-income mothers, most have not. Gruber and Madrian also conclude that there is relatively consistent evidence that spousal employer offers or coverage reduce the secondary earner's workforce participation and work hours.

Finally, there is little evidence that food stamps affect labor supply. Hagstrom (1996) finds a very small, negative effect on labor supply. However, Moffitt's (2002) recent review of the literature argues that the FSP has little effect on work disincentives—based on studies generally showing very small net labor supply effects of reducing the marginal tax rates in welfare programs. Moffitt also points to earlier work demonstrating the strong stigma effect in welfare programs; the stigma makes food stamps a less attractive substitute for earnings.

Who Gets the Supports?

Not surprisingly, the different philosophies, rules, and funding streams produce vast differences in benefit receipt across programs and across time. Benefit receipt also differs by reason of eligibility and across participant characteristics. This section briefly describes the trends in aggregate program participation in the work support programs, focusing on the years since welfare reform when the system became more focused on working families. We also use nationally representative survey data to examine the likelihood that working families receive support from the various programs, and show the characteristics of low-income working families that receive different support packages.

Recent Trends in Participation

Medicaid and SCHIP now cover a large share of low-income children. In 2002, close to 50 percent of the nation's children and 90 percent of low-income children were eligible for coverage (Dubay and Kenney 2004; Selden, Hudson, and Banthin 2004). Parents' eligibility for public coverage is substantially less. In 2002 about 34 percent of all low-income parents and 43 percent of low-income parents were eligible for Medicaid or SCHIP (Davidoff et al. 2004).

A number of studies show that Medicaid participation increased as a result of recent program changes. In the pre-SCHIP era approximately 60 percent of children without private health insurance cover-

age participated in Medicaid, and participation was substantially higher for children eligible because of their parents' welfare status (Davidoff et al. 2004; Dubay, McFeeters, and Kenney 2005; Selden et al. 2004). The implementation of SCHIP led advocates and the federal government to pressure states into increasing participation. States responded with unprecedented levels of outreach and enrollment simplification. By 2002, participation rates among children eligible for Medicaid through the poverty-related expansions rose to 75 percent, and participation rates among children eligible under welfare-related rules rose to 86 percent. Participation among children eligible for SCHIP rose to 66 percent in 2002.

Parents' participation in Medicaid and SCHIP followed a somewhat different path. Parents' participation rates fell after welfare reform because fewer parents came through the welfare door and some parents leaving welfare did not understand that they could keep their Medicaid coverage. Some of these effects were subsequently reversed through education and outreach. For example, participation among parents without private coverage fell from 59 percent in 1997 to 53 percent in 1999, and increased to 56 percent by 2002. Studies also show that parents eligible under the welfare-related rules still participate at higher rates than parents eligible under the income-related rules.

FSP participation rates also declined after PRWORA. The new focus on work and away from welfare probably discouraged some families from applying for food stamps (Wilde et al. 2002). Also, working families historically had low program participation rates. Cunyngnam (2004) estimates that the food stamp participation rate dropped by 11.3 percentage points between 1996 and 1999. The decline continued after 1999, albeit more slowly. The participation rate increased by 0.6 percentage points between 2001 and 2002 (Cunyngnam 2004) and by an estimated 2 percentage points among individuals between 2002 and 2003 (Cunyngnam 2005).

Participation rates and trends also vary across demographic groups. For example, Cunyngnam (2004) estimates that participation among households with children remained around 70 percent between 1999 and 2002, while participation rates among households with earnings increased from 43 percent in 1999 to 46 percent in 2002. Zedlewski and Rader (2005) show that participation rates increased for families with some prior welfare experience between 2000 and 2002 but remained flat for other low-income families with children. Zedlewski and Rader conclude that changes in policies and states' procedures responding to the post-PRWORA drop in participation made a difference for families in the welfare system. These participation trends suggest that outreach and new state options to facilitate access for working families have made only a small difference, at least through 2003. However, there could be a lagged effect once more families understand the new program rules.

Child care subsidy receipt increased dramatically as federal funding increased in 1996 and states began to spend larger shares of their TANF block grants on child care subsidies. In 1996 about 1.2 million children received subsidies in an average month, compared with 2.4 million in 2002 (Center for Law and Social Policy 2005). While this increase is large in percentage terms, it is important to remember the share of mothers working also increased significantly during this period. For example, the share of single mothers working increased from 64 percent in 1996 to 75 percent by the end of 2000 (Lerman 2005). Thus, the share of low-income working mothers receiving subsidies did not increase at the same rate as implied by growth in the number of children with subsidies.

While the number of children receiving subsidies doubled over this period, program spending tripled, implying a large increase in costs per subsidized child. As noted earlier, the average subsidy funding

per child was \$4,770 in 2002, compared with about \$2,674 in 1996.²² Reasons for the increase per subsidized child are not well understood. Factors could include an increase in the number of hours each subsidized child spends in child care; an increase in the share of parents that use subsidies for more expensive, center-based care; or a reduction in the age of children using subsidized care (subsidies for younger children are larger than those for school-age children). The increase in the average funds per child may also reflect some program changes, such as increases in provider payments or subsidies for higher-quality and higher-cost providers. The number of children receiving subsidies hovered around 2.4 million between 2000 and 2002, probably reflecting limits on the number of children that states could serve.

Most people who are eligible for the EITC claim the credit. In 2002, 32.6 million taxpayers with qualifying children received a federal EITC, more than double the number (15.9 million) receiving the credit in 1996 (Parisi and Hollenbeck 2004). The tax system ensures that taxpayers filing returns claim the benefits to which they are entitled. The IRS does not have current data on the characteristics of nonfilers or estimated participation rates for the EITC. But researchers have used various data sets to estimate participation and consistently find that between 75 and 86 percent of eligible filers receive the credit (Scholz 1994; U.S. General Accounting Office [GAO] 2001; U.S. Treasury 2002). These studies also find that participation is higher among working families with children, presumably because their credits are much larger. The GAO (2001) estimates that participation rates were 86.5 percent among taxpayers with children.

Receipt of Work Supports

Program participation rates and costs obviously do not explain the package of benefits received by individual working families with children. Program rules and funding streams determine whether families are eligible for benefits, and families may or may not actually apply for benefits. Also, some families are eligible for only one work support while others may be eligible for the whole set of benefits. We use data from the 2002 National Survey of America's Families (NSAF) to examine the receipt of benefits among low-income families with children under age 18.²³

The NSAF asked families directly about their receipt of government health insurance coverage and of food stamp benefits during the past year.²⁴ Families were also asked whether they received help paying for child care from a government or social service agency, or whether they paid for child care on a sliding fee scale. Families that responded positively are reported as having received "help with child care."²⁵ Note that some families reporting help in these two categories likely may not be funded by a government subsidy program (or may be getting help from Head Start or state prekindergarten programs), and some families that do receive government-funded child care subsidies likely may not report them as such. Also, like other surveys, the NSAF did not directly ask families whether they received the EITC.²⁶ Instead we use the Urban Institute's Transfer Income Model (TRIM3) to calculate tax credit eligibility. Since not all families receive the credit and there is no well-accepted way to choose participants among those eligible, we show results with and without the EITC benefit included to show the potential range of benefits that families receive.

We categorize families by three levels of work intensity: high work, medium work, and low work. Specifically, we define the high-work group as families with at least one parent (either a spouse or partner) working full-time (1,800 hours or more); the medium-work group as families with parents

working 1,000 hours on average (but neither working full-time); and the low-work group as families with parents working less than 1,000 hours, on average. The definition of working poor or low-income families varies significantly across studies. The categories identified in Acs and Loprest (2005) and used here provide a convenient way of separating families with minimal work hours (and therefore, possibly receiving minimal work support benefits) from those with moderate or high work hours (possibly demanding more from the work support system).²⁷ We also compare the results for working families with those for families without work to show the extent of targeting toward working families across the programs.

Benefit receipt by work and income status

The receipt of benefits among low-income families (below 200 percent of FPL) varies dramatically across the type of work support (table 3). Among all families, about 6 in 10 report some Medicaid or SCHIP coverage (usually for the children), but only 1 in 10 families report getting help paying for child care, and 3 in 10 report receiving food stamps. About three-quarters of families are eligible for the EITC.

Families in the high-work category are significantly less likely to receive benefits than families in the medium-work category. For example, 13.5 percent of high-work families receive none of the work supports and are not eligible for the EITC, compared with 2.1 percent of medium-work families. The differences in benefit receipt between high- and medium-work families are substantial for food stamps, parents' Medicaid coverage, and help with child care. For example, only 18.8 percent of high-work families report receiving food stamps, compared with 42.2 percent of medium-work families.

TABLE 3. Receipt of Work Supports among Low-Income Families with Children, 2001 (percent)

	All families	High work	Medium work	Low work	No work	All workers
Food stamps	30.8	18.8***	42.2	42.4***	55.9***	27.0
Medicaid/SCHIP	61.5	51.7***	66.2***	74.0***	83.0***	58.3
Parents got Medicaid/SCHIP	31.4	19.2***	39.5	44.1***	59.4***	27.2
Kids got Medicaid/SCHIP	59.9	50.4***	64.9***	72.5***	79.5***	57.0
Child care help ^a	9.9	9.1***	16.0***	10.1	7.1*	10.4
None	34.7	44.3***	26.8	24.1***	15.0***	37.6
EITC eligible ^b	74.1	79.8***	95.0***	90.2***	6.0***	84.2
No supports and no EITC	10.5	13.5***	2.1*	4.1***	14.3***	9.9
Percent of weighted category sample (87.1)		(56.5)	(13.7)	(16.9)	(12.9)	(100.0)

Source: 2002 National Survey of America's Families.

Notes: Low-income families are those with incomes below 200 percent of the federal poverty level; children are household members under age 18. Work includes hours of work during 2001 by spouses and partners. High work designates at least one full-time worker (1,800 hours or more per year); medium work designates combined work hours meeting the full-time equivalent; and low work indicates combined work hours meeting less than a full-time equivalent.

^a Families that report getting help paying for child care from a government, welfare, or social service agency in one of the following ways: (1) parents reported that someone other than the parents cared for the children while they worked, they did not pay for care, and a welfare or social service agency paid for or provided child care so they did not have to pay; (2) parents reported that the amount they paid depended on how much they earn (i.e., they paid on a sliding fee scale); or (3) parents reported that they paid less than the total cost of child care because a welfare or social service agency paid part of the cost. These responses likely include more than government-sponsored child care subsidies alone (e.g., families may receive financial subsidies directly from religious or community groups or have children in Head Start).

^b The EITC as simulated by the Urban Institute's Transfer Income Model (TRIM3); the credit is assigned to all eligible families.

* $p < .05$ ** $p < .01$ *** $p < .001$, when comparing adjacent work categories (high vs. medium; medium vs. low; low vs. high; no work vs. low; all vs. no work).

Of course, this probably reflects income differences, with high-work families much more likely to have income above the food stamp eligibility threshold.

Patterns of benefit receipt are more similar for the medium- and low-work categories. About 4 in 10 families in both categories receive food stamps and 4 in 10 parents have Medicaid. More medium-work than low-work families report getting help with child care (possibly reflecting the minimum work requirements some states have instituted for subsidy eligibility). Most families in the medium- and low-work categories are eligible for the EITC.

Families in the no-work category—no employment in the prior year by either parent—are more likely to receive food stamps and government health coverage than working families. These programs do not have employment tests for eligibility; eligibility depends only on income and often assets. Over half of families in the no-work category report food stamps and Medicaid/SCHIP coverage for parents, compared with around one-quarter of all workers.

Considering only the non-tax supports, most low-income families receive either one support or none at all (top half of table 4). Among all families (working or not), about one-third receive none of these supports and one-third receive either food stamps, Medicaid/SCHIP, or help with child care (with the vast majority reporting only receipt of Medicaid/SCHIP). Only 4.9 percent of all low-income families report receiving all three benefits—food stamps, Medicaid/SCHIP, and help with child care.

Of course, not all families are eligible for all of these supports. Food stamps, for example, generally are available to families with incomes below 130 percent of FPL, and help with child care is largely limited to working families with children younger than 13.²⁸ Results for poor working families (those with incomes below the federal poverty level) demonstrate the reach of the work support programs more clearly (bottom half of table 4). One-quarter (24.7 percent) of these families receive no work support benefits, and only 7.3 percent receive all three. Working poor families most often report receiving food stamps and Medicaid (32.7 percent), but 31.9 percent report receiving only one benefit.

Receipt of benefits also varies by hours of work. For example, poor high-work families receive the entire package less often than poor medium-work families (4.7 percent compared with 11.4 percent). Also, high-work families are more likely to go without support than medium-work families (31.3 percent compared with 19.4 percent). Families in the medium- and low-work categories have more similar patterns of benefit receipt.

While the non-tax parts of the work support system do not reach a large share of working poor families, the EITC changes the picture considerably. After factoring in the EITC (assuming that all eligible families receive the credit), the share of families without a work support drops substantially (table 5). Including the EITC, nearly 9 out of 10 low-income families receive some type of support. The EITC dominates support for working families. For example, 27.7 percent of working low-income families receive the EITC alone, 26.5 percent receive the EITC with Medicaid, 18.7 percent receive the EITC with Medicaid and food stamps, and 4.6 percent receives all four types of support.

The EITC also dominates the support picture for working poor families. The largest share of working poor families receives the EITC combined with Medicaid and food stamps (30.9 percent), followed by the EITC alone (23.2 percent) and the EITC with Medicaid (25.4 percent). Only 7.2 percent of work-

TABLE 4. Cross-Program Participation Excluding EITC Eligibility for Families with Children, by Parents' Work Status, 2001 (percent)

	All families	High work	Medium work	Low work	No work	All workers
Low-Income Families						
None	34.7	44.3***	26.8	24.1***	15.0***	37.6***
One benefit						
Food stamps	1.7	1.5**	3.6**	1.0	1.5	1.7
Medicaid/SCHIP	29.8	31.2***	25.0**	30.7	27.9	30.1
Child care ^a	1.7	2.2	2.5	0.5***	0.2	1.9***
Two benefits						
Food stamps and Medicaid/SCHIP	23.8	13.9***	28.6*	34.1***	48.5***	20.1***
Food stamps and child care	0.4	0.3	0.8	0.6	0.2	0.4
Medicaid/SCHIP and child care	3.0	3.5	3.5	2.4	1.0**	3.3
All three	4.9	3.1***	9.2	6.7***	5.7	4.7
Percent in category	(100.0)	(56.5)	(13.7)	(16.9)	(12.9)	(87.1)
Poor Families						
None	22.0	31.3***	19.4	19.2***	14.1**	24.7***
One benefit						
Food stamps	2.2	2.3	5.2**	0.8**	1.6	2.4
Medicaid/SCHIP	26.5	29.3**	19.4***	29.6	24.0*	27.4
Child care ^a	1.6	2.9	3.6	0.2***	0.1	2.1***
Two benefits						
Food stamps and Medicaid/SCHIP	37.7	26.1**	35.7	39.6***	52.1***	32.7***
Food stamps and child care	0.7	0.7	1.8	0.7	0.0	0.9***
Medicaid/SCHIP and child care	2.2	2.7	3.5	1.7	1.1	2.5**
All three	7.1	4.7***	11.4	8.1**	6.8	7.3
Percent in category	(100.0)	(33.6)	(15.3)	(25.8)	(25.4)	(74.6)

Source: 2002 National Survey of America's Families.

Notes: Low-income families are those with incomes below 200 percent of the federal poverty level. Poor families are those with incomes below 100 percent of the federal poverty level. Children are household members under age 18. Work includes hours of work during 2001 by spouses and partners. High work designates at least one full-time worker (1,800 hours or more per year); medium work designates combined work hours meeting the full-time equivalent; and low work indicates combined work hours meeting less than a full-time equivalent.

^a Families that report getting help paying for child care from a government, welfare, or social service agency as detailed in table 3.

* $p < .05$ ** $p < .01$ *** $p < .001$, when comparing adjacent work categories (high vs. medium; medium vs. low; low vs. high; no work vs. low; all vs. no work).

ing poor families receive all four supports. Differences across work categories show that poor families in the high-work category most often receive the EITC alone (29.2 percent), the EITC with Medicaid (26.9 percent), or the EITC with Medicaid and food stamps (24.3 percent). Families in the medium-work and low-work categories receive the package of three supports (EITC, Medicaid, and food stamps) more often than families in the high-work category (34.3 and 37.6 percent, respectively, compared with 24.3 percent). While help with child care expenses is relatively uncommon for all working poor families, families in the medium-and low-work categories are more likely than other families to receive this help (11.4 and 8.1 percent, respectively, compared with 4.5 percent for high-work families).

TABLE 5. Cross-Program Participation Including EITC Eligibility for Families with Children, by Parents' Work Status, 2001 (percent)

	All families	High work	Medium work	Low work	No work	All workers
Low-Income Families						
No supports	10.5	13.5***	2.1*	4.1***	14.3***	9.9***
EITC ^a	24.2	30.8**	24.7*	19.9***	0.7***	27.7***
Medicaid/SCHIP	6.5	4.4***	1.4*	3.1	25.4***	3.7***
EITC and Medicaid/SCHIP	23.4	26.9*	23.6*	27.6	2.4***	26.5***
EITC, Medicaid/SCHIP, and food stamps	16.6	12.6***	27.4	31.9***	2.5***	18.7***
EITC, Medicaid/SCHIP, food stamps, and child care ^b	4.0	2.9***	8.9	6.7***	0.1***	4.6***
Other combinations that include EITC	5.9	6.6**	10.4***	4.1***	0.2***	6.7***
Other combinations that exclude EITC	9.0	2.4	1.5	2.5	54.3***	2.3***
Percent in category	(100.0)	(56.5)	(13.7)	(16.9)	(12.9)	(87.1)
Poor Families						
No supports	4.6	2.2*	0.7	1.2	13.7***	1.5***
EITC ^a	17.4	29.2***	18.7	18.1***	0.4***	23.2***
Medicaid/SCHIP	7.1	2.5***	0.3**	2.6	21.8***	2.1***
EITC and Medicaid/SCHIP	19.5	26.9**	19.2**	27.0	2.2***	25.4***
EITC, Medicaid/SCHIP, and food stamps	23.5	24.3**	34.3	37.6***	1.8***	30.9***
EITC, Medicaid/SCHIP, food stamps, and child care ^b	5.4	4.5***	11.4	8.1**	0.1***	7.2***
Other combinations that include EITC	5.8	8.4	14.1***	3.1***	0.0***	7.8***
Other combinations that exclude EITC	16.7	2.1	1.4	2.3	59.9***	2.1***
Percent in category	(100.0)	(33.6)	(15.3)	(25.8)	(25.4)	(74.6)

Source: 2002 National Survey of America's Families.

Notes: Low-income families are those with incomes below 200 percent of the federal poverty level. Poor families are those with incomes below 100 percent of the federal poverty level. Children are household members under age 18. Work includes hours of work during 2001 by spouses and partners. High work designates at least one full-time worker (1,800 hours or more per year); medium work designates combined work hours meeting the full-time equivalent; and low work indicates combined work hours meeting less than a full-time equivalent.

^a The EITC as simulated by the Urban Institute's Transfer Income Model (TRIM3); the credit is assigned to all eligible families.

^b Families report getting help paying for child care from a government, welfare, or social service agency as detailed in table 3.

* $p < .05$ ** $p < .01$ *** $p < .001$, when comparing adjacent work categories (high vs. medium; medium vs. low; low vs. high; no work vs. low; all vs. no work).

Benefit receipt by family demographics

Receipt of the work support benefit package also varies across family characteristics (table 6). Focusing exclusively on poor families with some work (combining all three work categories), nearly all receive some type of government work support. Single parents living without other adults are significantly more likely to receive all four types of support than other families (15 percent compared with 1.2 percent for married couples and 2.5 percent for single parents living with other adults).

Not surprisingly, families made up of citizens receive work supports more often than immigrant families. Nine percent of citizen families receive the entire package of supports, compared with 3.2 percent of

TABLE 6. Common Patterns of Cross-Program Participation Including the EITC for Poor Working Families with Children, 2001 (percent)

	Share of population	No benefits	All benefits ^a	EITC	Medicaid	EITC and Medicaid	EITC, Medicaid, and food stamps	Other (includes EITC) ^b	Other (excludes EITC) ^c
All	100.0	1.5	7.2	23.2	2.1	25.4	30.9	7.8	2.1
Structure									
Married or cohabiting couple	51.2	2.3**	1.2***	29.5***	3.6***	30.6***	25.6***	4.6***	2.7
Singles alone	42.9	0.8*	15.0***	15.1***	0.5***	18.8***	36.8***	11.8***	1.2
Singles with other adults	5.9	0.0***	2.5***	27.4	0.0***	27.3	34.6	6.2	2.1
Assets									
Owens car	65.5	2.2***	5.9**	26.4***	2.4	26.2	28.8**	6.5*	1.7
Does not own car	34.6	0.3***	9.7**	17.1***	1.3	23.8	35.0**	10.2*	2.6
Owens home	32.5	2.5	3.3***	33.7***	2.4	27.9	24.0***	4.4***	1.8
Does not own home	67.5	1.1	9.0***	18.1***	1.9	24.1	34.3***	9.4***	2.2
Welfare participation									
On welfare now	8.5	0.0***	23.6***	0.0***	0.0***	9.5***	56.3***	3.3***	7.3
Recent welfare leaver	7.8	0.0***	27.3***	1.4***	0.0***	7.6***	57.5***	2.7***	3.4
No recent welfare	91.5	1.7***	5.6***	25.3***	2.2***	26.8***	28.6***	8.2***	1.6
Immigration status									
Parents and children citizens	71.3	1.7	9.2***	21.2**	2.0	20.7***	36.0***	7.7	1.6
Any parent not citizen, children citizens	15.8	0.0***	3.2***	22.8	2.4	37.4***	22.9***	7.1	4.2
Any child not citizen	12.9	2.4	0.9***	34.5***	1.9	36.5***	12.8***	9.1	2.0
Parent's health status									
Excellent/Very good/Good	74.2	1.8**	7.3	23.3	2.4**	25.9	30.2	7.2	1.9
Fair or poor	25.8	0.7**	6.9	22.9	0.9**	23.8	33.0	9.3	2.5
Kids under 6									
No kids under 6	38.5	2.7**	2.9***	31.9***	2.9	22.7*	30.4	6.0	0.6***
Any kids under 6	61.5	0.8**	9.8***	17.7***	1.5	27.0*	31.3	8.9	3.0***

Source: 2002 National Survey of America's Families.

Notes: Poor working families are those with some work hours and incomes below 100 percent of the federal poverty level; children are household members under age 18. Work includes hours of work during 2001 by spouses and partners. High work designates at least one full-time worker (1,800 hours or more per year); medium work designates combined work hours meeting the full-time equivalent; and low work indicates combined work hours meeting less than a full-time equivalent.

^a All benefits are EITC, Medicaid, food stamps, and help with child care expenses from a government, welfare, or social service agency as detailed in table 3.

^b The family receives a combination of benefits other than those shown in the preceding six columns and is eligible for EITC.

^c The family receives a combination of benefits other than those shown in the preceding six columns and is not eligible for EITC.

p < .05 ** *p* < .01 *** *p* < .001, when comparing families with the characteristics to those without the characteristics.

families where the parents are not citizens (but the children are citizens) and 0.9 percent of families where both the parents and children are not citizens. Assuming that poor immigrant families that report earnings on the NSAF are eligible to work in the United States, a large share (83 percent) is eligible for the EITC based on income.²⁹ Some poor immigrant families also receive other work supports. For example, 23 percent also receive Medicaid/SCHIP and food stamps, and 37 percent receive Medicaid/SCHIP.

The results also demonstrate the strong connection between these supports and welfare. Among working poor families, 23.6 percent of current welfare recipients and 27.3 percent of recent recipients receive the full package of work supports. Also, over half of working families with a welfare connection receive three supports (the EITC, Medicaid, and food stamps). These results are not surprising, given that the Medicaid and Food Stamp programs offer transition assistance. These families have recent or current connections to a caseworker who usually knows the kinds of supports available to working families. In contrast, families with no recent welfare experience (the largest share of working poor families) seldom receive all four supports (5.6 percent). Three-quarters, however, receive the EITC, either alone (25.3 percent) or combined with Medicaid (26.8 percent) or Medicaid and food stamps (28.6 percent).

The results also show that poor families with assets (a car or home) are somewhat less likely to receive work supports than families without these assets. Finally, poor families with children under age 6 are more likely to receive work supports than families with older children. Families without young children are much more likely to receive only the EITC than those with children under 6 (31.9 percent compared with 17.7 percent) and families with young children are much more likely to receive all four benefits (including help with child care).

What Factors Explain Participation?

Patterns of work support receipt raise questions about why more working families, especially those with incomes below the poverty level, do not receive these work supports. A number of studies focused on participation in work support programs in the post-welfare reform era provide some insight. While not definitively explaining what share of participation can be accounted for by which factors, the evidence about factors in play is fairly voluminous on all but the EITC. Some studies focus on individual and family characteristics that affect participation, and others document how delivery systems and funding can affect participation. The review shows that individual and institutional factors interact to affect participation.

Individual and Family Characteristics

Studies identify several demographic characteristics that affect enrollment, but these factors vary in their influence across programs. Family income and assets obviously affect eligibility and level of benefits, but they also influence whether eligible families participate. Knowledge seems to play an important role in participation in all the work support programs. Of course, knowledge interacts with institutional factors because simpler rules and outreach make it easier for families to participate. Numerous studies also identify stigma and a desire to be independent of government assistance as important reasons some eligible low-income families do not participate in some of these work support programs.

Demographics

Health status seems to matter, but only for Medicaid and SCHIP participation. Immigrant status affects participation even when program variations in immigrant eligibility are taken into account. Race, age, and family structure play into participation decisions, at least for some of the programs.

Participation in Medicaid is higher for children with functional limitations than for other children (Dubay, Kenney, and Haley 2002). This may relate to their families having greater contact with the health care system or to parents' interest in enrolling uninsured children with special health care needs.

Even after controlling for rules that sometimes restrict their eligibility, immigrants tend to participate in work support programs at lower rates than others. Immigrant families report that they worry enrolling their children in Medicaid could threaten the immigration status of other family members. For example, Dubay and others (2005) document that fewer children with foreign-born parents participate in Medicaid and SCHIP than other children. Numerous studies have shown that families with limited English skills face barriers to Medicaid enrollment (Feinberg et al. 2002; Feld and Power 2000; Perry et al. 2000).

Noncitizens who are eligible for food stamps also participate at lower rates than others. For example, Cunnyngham (2004, 20) estimates that 39 percent of noncitizens eligible for food stamps participate, compared with 54 percent for all households; 44 percent of citizen children living with noncitizen adults participate, compared with 70 percent for all eligible children. Burstein and others (2001) also find that immigrants are less likely to apply for child care subsidies than nonimmigrants. Other literature documents lower rates of participation in the EITC among immigrants. Ross Phillips (2001) reports that noncitizen parents, especially Hispanics, are much less likely to know about the EITC than citizen parents (among low-income parents, 22 percent of noncitizens had heard about the EITC compared with 73 percent of native-born citizens) and relatively few noncitizens report ever receiving the EITC (9 percent compared with 51 percent of native-born low-income parents). Studies by Scholz (1994) and the U.S. Department of Treasury (2002) report that persons of Hispanic origin are less likely to file tax returns and less likely to receive the EITC.

It is unclear whether race, outside of its relationship to immigrant status, affects program participation. Race, for example, is not a significant factor in food stamp participation studies once many other factors (such as TANF participation and income) are taken into account. Several studies in the child care subsidy literature, however, conclude that black parents use subsidies more than whites and Hispanics (Blau and Tekin 2001; Burstein et al. 2001; Danziger et al. 2003; Lee et al. 2004). The effect of race on child care subsidy use is not well understood. Black parents are more likely to use center-based child care (Capizzano, Adams, and Ost 2006), and its high cost may increase the likelihood that they seek a subsidy. But Huston, Chang, and Gennetian (2002) do not find a significant relationship between race and child care subsidy use.

Many studies point to participation differentials by education level. For example, Dubay and her coauthors (2005) suggest that children are more likely to be enrolled in Medicaid if their parents have completed high school or a GED than if their parents have more education. A few authors also have found that parents who have completed high school are more likely to receive a child care subsidy than are high school dropouts (Blau and Tekin 2001). Others have found years of education have a

positive but insignificant effect on child care subsidy use (Meyers et al. 2002). These differentials, however, may reflect more use of center-based child care by parents with higher levels of education, or the differentials could reflect greater knowledge about the availability of child care subsidies among parents with higher education levels. The U.S. Department of Treasury (2002) finds that individuals with lower levels of education are less likely to file a tax return. An estimated 25 percent of taxpayers without a high school degree did not file a return, compared with 16 percent of high school graduates. Holtzblatt (2004) argues that educational deficiencies combined with the complexity of the EITC rules may contribute to the increasing number of EITC claimants who turn to paid preparers.

Education obviously interacts with knowledge of programs and complexity of program rules. That is, lower cognitive skills and education may matter less if programs provide simple rules and messages. For example, studies show that parents with low education levels more often need help when they apply for benefits. In a 2002 study of 10 SCHIP programs, almost half of all parents who had not completed high school reported receiving help with enrollment (Kim forthcoming).

Age and family structure also affect families' decisions to participate in work support programs. In general, eligible children participate in Medicaid at higher rates than eligible parents (Davidoff et al. 2004). Also, school-age children, particularly adolescents, participate in Medicaid and SCHIP at lower rates than younger children (Dubay et al. 2002). Parents appear more confused by eligibility rules for school-age children than by rules for younger children: low-income parents of uninsured adolescents are 15 percentage points less likely to think their child is eligible for coverage than their counterparts with uninsured children less than 6 years old (Kenney, Haley, and Tebay 2004). The difference may also reflect more emphasis on younger children in outreach campaigns. Dubay and Kenney (2003) also find that parents' eligibility for Medicaid increases the likelihood that they enroll their children in Medicaid or SCHIP.

Children's age also plays a role in child care subsidy participation. Several studies document that parents with preschoolers, but not infants, are more likely to receive subsidies than parents with school-age children (Blau and Tekin 2001; Burstein et al. 2001; Huston et al. 2003). These studies and others also document that mothers with more than one eligible child are more likely to receive subsidies than other mothers (Lee et al. 2004; Meyers et al. 2002). These findings suggest that higher child care costs relate to participation in child care subsidy programs. Parents tend to prefer center-based care for older preschoolers, and the higher cost of this type of care relative to family care may increase parents' incentive to seek a subsidy. Also, school-age children spend less time in child care, placing less financial burden on parents.

Studies also find that single parents are significantly more likely to use child care subsidies than two-parent families (Burstein et al. 2001; Shlay et al. 2004). This probably reflects a greater need for care outside the family when another parent is not available to help with child care.

Studies also find some relationship between family size and receipt of the EITC. As shown earlier, the credit is the same for families with two or more children. The GAO (1999) finds that filing rates are much higher for families with one or two children than for families with three or more children (over 90 percent, compared with 63 percent). It is unclear whether the lower participation rate of larger families reflects the lower value of the credit relative to the number of children or other family characteristics. Holtzblatt (2004) also questions whether the discrepancy between small and large families may reflect taxpayers' reporting errors. However, the finding that larger families participate at lower rates than smaller families is consistent with Scholz's (1994) findings.

Income

Numerous studies confirm that families eligible for larger benefits, and therefore those with the lowest incomes, are more likely to apply for benefits than families eligible for smaller benefits. Income seems to be a larger factor in such programs as food stamps and the EITC where benefits decline gradually with income than in programs that provide a fixed benefit or a benefit less sensitive to income level. Once a child or parent is eligible for Medicaid, he or she qualifies for the same health care services as a lower-income family. SCHIP, and less often Medicaid, sometimes requires a premium or copay that increases with income, but premiums and other out-of-pocket costs are limited to 5 percent of income. Child care subsidies also require copays that typically increase with income. In some states the increase is steeper than in others. But the value of a child care subsidy, especially for full-time, center-based care, remains fairly high until family income reaches the eligibility cutoff and the subsidy value drops to zero.

Many studies document that food stamp participation declines as the value of the benefit declines (see, for example, Ponza et al. 1999 and U.S. GAO 2004). Also, some families think a small potential benefit is not worth the trouble of applying for benefits (McConnell and Ponza 1999). One study finds that families with higher income levels were more likely to use child care subsidies (Shlay et al. 2004). The positive relationship between income and subsidy use might be explained by the fact that higher-income families may be more likely to use more expensive, center-based care than lower-income families.

Some studies suggest that families with short-term income needs are less likely to participate in work support programs than those with longer-term needs. For example, Farrell and her coauthors (2003) show that eligible nonparticipating working households are more likely to have had income that exceeded 100 percent of FPL in the recent past. Zedlewski and Rader (2005) also show that families with incomes above the poverty level in the prior year are less likely to participate in food stamps even when their income drops below half the poverty level. Similarly, Huston and her coauthors (2003) find that parents with low prior earnings are more likely to receive child care subsidies than other parents.

Taxpayers eligible for a larger credit also are more likely to file for the EITC. However, after controlling for the size of the credit, Scholz (1994) finds that lower-income taxpayers are less likely to file tax returns. The U.S. Department of Treasury (2002) also shows that the likelihood of filing increases with the size of the EITC. On the other hand, Holtzblatt (2004) shows that lower-income persons (possibly eligible for larger EITCs) are less likely to file than persons with higher incomes.

Although studies have examined the relationship between a family's assets and participation, more studies have focused on food stamp participation decisions than those for other work support programs. As noted earlier, asset tests are much rarer in Medicaid (at least for children) than in food stamps, and assets are effectively not used when determining eligibility for child care subsidies or the EITC. Nonetheless, it is unclear whether assets might factor into participation in these other work support programs as well. Families who have assets (homes, savings, and cars) and are eligible for food stamps are less likely to participate than families without assets (U.S. GAO 2004; Zedlewski and Rader 2005). Presumably, assets are another indicator of longer-term financial stability, and families with assets may be facing shorter-term needs than families that have not been able to buy a home or save. On the other hand, car ownership depresses food stamp participation even when a state no longer has a vehicle test because potential applicants may be unaware of the program rule changes (Cunningham 2004).

Knowledge

A lack of general knowledge about work support programs and confusion about particular program rules recur as explanations for why some families do not apply for benefits. The level of knowledge is also linked to the relationship between parents' education and participation discussed earlier. Families with limited education, especially those with cognitive difficulties, are less likely to understand the complex rules of the work support programs.

Basic awareness of Medicaid programs appears very high among low-income families—close to or above 90 percent. While fewer families are aware of the newer, separate SCHIP programs, awareness among low-income families with uninsured children increased significantly between 1999 and 2002 as SCHIP outreach efforts intensified. But confusion about program rules persists. Many low-income parents with uninsured children still do not understand that welfare is not a prerequisite for Medicaid or SCHIP enrollment (Kenney, Haley, and Tebay 2003). Immigrants may be particularly confused by eligibility requirements because of changes in the 1996 welfare reform law and subsequent legislation (Stuber et al. 2000). Welfare reform may have generated additional confusion about Medicaid eligibility, especially about whether the work requirements, time limits, and sanctions of welfare reform affect Medicaid eligibility (Perry et al. 2000). Knowledge of Medicaid often is based on past experiences that may not reflect more recent policy changes (Bellamy et al. 2002; Feld and Power 2000; Perry 2001). Many low-income parents also do not understand that income eligibility thresholds have been raised for children and thus do not know their child may be eligible for coverage (Kenney et al. 2004).

Many studies have documented that a lack of knowledge about food stamps hinders participation. Some parents believe that some aspect of their family's situation makes them ineligible (such as their car's value, or that they are working or receiving some other government assistance), and others think they are eligible for a small benefit that is not worth the effort to obtain (McConnell and Ponza 1999). Bartlett, Burstein, and Hamilton (2004) show that over half the eligible nonparticipant households in a nationally representative survey either believed they were ineligible or were not sure they were eligible.

Households that believed themselves ineligible were more likely to have above-poverty incomes and bank accounts and less likely to have received food stamps in the past.³⁰ Some had significant misperceptions about program rules, such as believing that workers (55 percent) and those that received other government assistance (19 percent) could not get benefits. Many believed they were ineligible because of the value of their car or assets. The USDA (2004) evaluation of recent, local food stamp outreach projects also reported that lack of information about eligibility remains a major reason for nonparticipation.

Research suggests that lack of knowledge also affects child care subsidy participation. Shlay and colleagues (2004) found that 50 percent of subsidy-eligible families in a Philadelphia survey incorrectly believed they were ineligible. Most families thought that their income was too high to receive a subsidy. Studies also have found knowledge is a major factor among families transitioning off TANF. For example, various studies have found that 25 to 40 percent of working welfare leavers are unaware of the availability of child care subsidies (Adams, Koralek, and Martinson 2006; Schumacher and Greenberg 1999; Wilkins 2002). One contributing factor is that child care subsidy agencies have little incentive to publicize because they have limited funds (Adams and Rohacek 2002).

Maag (2005) reports that while the majority of low-income parents (58 percent) knows about the EITC, some know less than others. Parents with incomes below 100 percent of FPL are less likely

to know about the EITC than parents with incomes above 150 percent of FPL. Maag also reports a connection between EITC knowledge and receipt of other government assistance. Among low-income parents required to file tax returns, over two-thirds of welfare recipients (both current and recent) and three-quarters of food stamp recipients know about the EITC. It is not clear, however, how a lack of knowledge about the EITC affects participation, because many low-income taxpayers get help with their tax returns. Holtzblatt (2004) reports that EITC claimants are more likely to use paid preparers (67 percent, compared with 56 percent of all taxpayers).

Stigma and personal attitudes

Research on participation in work support programs points to stigma as an important factor limiting families' participation in all programs except the EITC. Stigma seems to vary depending on where families must access benefits—the more a program is associated with welfare, the greater the stigma. Stigma also connects with office practices. A local office can present a family-friendly, client-focused atmosphere, or it can present an atmosphere that parents find demeaning. Moreover, studies show that even when offices move toward more client-centered operations, many families retain the stigma from prior experiences with these programs.

The enrollment processes for Medicaid and SCHIP coverage pose problems for some families. Parents have raised particular concerns when enrolling through a welfare office about having to answer personal questions, being treated poorly, and finding the process humiliating (Stuber and Kronebusch 2004; Stuber et al. 2000). Lack of interest in public programs also deters some families from enrolling their children in Medicaid and SCHIP. Ten percent of low-income parents with uninsured children said they would not enroll their child when told their child was eligible, and another 6 percent were not sure if they would enroll their child (Kenney et al. 2004). Parents who did not want to enroll their child in Medicaid or SCHIP gave a variety of reasons, including the following: their child did not need health insurance coverage,³¹ they did not want their child in a public program, or they had issues with the application process or another part of the program.

Stuber and Kronebusch (2004) find that images of Medicaid were generally positive, but stigma associated with welfare stereotypes reduced Medicaid enrollment. Expectations of poor treatment when applying for Medicaid, along with other factors, were associated with reduced Medicaid enrollment.

Studies also show that individual attitudes affect food stamp participation. Some people simply do not want government help, and some do not want to face what they believe is a demeaning and cumbersome process (based either on past experience or secondary knowledge). For example, 31 percent of the sample in Bartlett and her colleagues' (2004) survey would not apply for benefits even if they knew they were eligible. Almost all mentioned personal reasons—including a desire for independence (91 percent).

Some studies report that parents' values sometimes keep them from applying for child care subsidies. In Huston and coauthors (2003), for example, former welfare recipients more likely to assign high importance to "control of one's life" were less likely to use government child care subsidies. Parents also report personal reasons, including stigma, for forgoing subsidies after leaving welfare (Rosenberg, Nagatoshi, and Roper 2003). An ethnographic study finds that many families do not use child care subsidies because they prefer unlicensed relative care, which best fit with their beliefs and values about proper childrearing (Lowe and Weisner 2001). These authors also report some misunderstanding about whether families could use subsidies for relative care, making it unclear whether the families would

choose a subsidy if they fully understood how the system works. Other studies have also found that parents may not understand that they can use subsidies for relative caregivers (Shlay et al. 2004).

Institutional Factors

Some themes in the research literature attribute low program participation and breaks in participation to institutional factors. Procedures defining how families first apply and recertify for benefits, office atmosphere and practices, and the level of outreach and application assistance available to families affect participation in most of these work support programs. Also, funding limits in SCHIP and child care limit the availability of benefits. During tight budget periods, many states limit spending on these programs by freezing intake, limiting eligibility, and introducing other policies that reduce program participation.

As noted earlier, Medicaid and SCHIP program rules were simplified after SCHIP was created. States greatly reduced documentation requirements. Many also eliminated face-to-face interviews, adopted periods of continuous eligibility, and implemented passive renewal systems. Some states, however, imposed waiting periods in their SCHIP programs (e.g., requiring that children be uninsured for six months before enrolling) and cost sharing requirements. The push to minimize enrollment barriers to Medicaid and SCHIP and the tremendous outreach efforts that occurred when SCHIP was implemented clearly increased participation. However, states simultaneously introduced so many different program features and changes in their enrollment and renewal processes that it is almost impossible to disentangle the effects of individual policies.³²

Enrolling and reenrolling in Medicaid and SCHIP still can be challenging for families. Families indicate difficulties with the documentation requirements, the complexity of the process, and the perceived need to apply in person at offices with inconvenient hours or locations (Kenney and Haley 2001; Perry et al. 2000). Renewal processes also cause problems. A number of children who disenroll from SCHIP coverage do not gain other coverage and yet still appear eligible for public coverage (Pernice et al. 2002). Many parents of SCHIP enrollees do not understand how frequently they need to renew enrollment (Kim forthcoming). In addition, a large number of children cycle on and off Medicaid and SCHIP (Dick et al. 2002; Moreno and Black 2001). In some states, particularly those who run SCHIP programs outside their Medicaid programs, a significant disconnect between the two programs apparently causes more children to be uninsured.

Research also shows that many common practices in food stamp offices discourage participation. Bartlett and others (2004) report that over one-quarter of food stamp applicants drop out because of some aspect of the application process, including income verification requirements, length of time before receiving benefits, long waits in the food stamp office, missing work, paying for child or dependent care while applicants go to the food stamp office, and general confusion about the process.

Some local office practices can ease the food stamp application process. For example, Bartlett and her coauthors (2004) find that scheduling interviews in advance (rather than on a first-come, first-served basis) and requiring fewer in-person meetings increase participation. “Pro-participation” attitudes expressed by supervisors and child friendliness also are positively associated with likelihood that applicants complete the process. Office accessibility also is important. Households with earnings are significantly more likely to complete the food stamp application process in offices open outside regular business hours. McKernan and Ratcliffe (2003) also show that families working nontraditional hours

are less likely to participate in food stamps than other workers, indicating that daytime food stamp office hours might contribute to low participation rates.

Bartlett and her coauthors (2004) also show that food stamp fraud investigations involving unannounced home visits, routinely used in offices serving about half the national caseload, reduce participation. Fingerprinting or finger imaging, required for at least some applicants in about one-quarter of food stamp offices, also lead to fewer completed applications.

Research also finds a range of institutional factors affect families' ability to access and retain child care subsidies. Adams, Snyder, and Sandfort (2002), for example, collected qualitative data about administrative processes in the child care subsidy system in 17 sites across 12 states. They find that the ease of child care subsidy applications varies widely across sites. Some sites allow parents to apply by phone and require minimal documentation, while other sites require multiple, in-person visits or extensive paperwork. Similar to the lessons in the FSP research, requirements to take time off work to complete an application or redetermine eligibility make it more difficult for parents to receive benefits. One survey in Philadelphia finds that more than one-third of eligible parents not receiving subsidies did not apply because of hassles with the application process. Parents reported that the biggest barrier was taking time off work to apply (Shlay et al. 2004). Yet it is important to recognize that agencies find in-person appointments useful for some reasons, including the ability to develop personal relationships with parents and the ability to explain requirements clearly, which can reduce errors later (Adams et al. 2002).

Adams, Snyder, and Sandfort (2002) also highlight some administrative and infrastructure issues that affect child care subsidy participation, such as hours of operation, caseworker training and caseloads, whether agencies have management information systems, and whether they focus on client service. These factors also can affect how caseworkers interact with parents and whether parents receive or keep subsidies. Parents' reports about the quality of caseworker interactions varied widely; some parents reported positive interactions and others reported negative experiences. Some of the negative issues raised by parents, however, link back to larger infrastructure issues, such as minimal caseworker training, caseworker overload, and lack of access to effective computer systems. Problems in any of these areas can lead to processing delays, which in turn can lead to a loss of a day care provider and sometimes the loss of a job.

Knox and colleagues (2003) conducted ethnographic work on the logistical effort required to maintain child care subsidies and care arrangements. Families said they could not count on subsidies because changes in work schedules or earnings could make families suddenly ineligible. Families also reported that bureaucratic procedures and unsupportive attitudes in subsidy agencies often discouraged them from using subsidies.

Studies of all the non-tax work support programs report that many families do not complete the recertification process even when they are still eligible for benefits. For example, Bartlett and her colleagues (2004) report that households that did not complete food stamp recertification cited difficulty with documentation requirements, the need to miss work, and confusion about the process. Adams, Snyder, and Sandfort (2002) report that about half the child care offices in their sample allow recertification by mail or phone and half require a visit to recertify at least for some parents. Recertification periods range from 3 to 12 months in these sites, but caseworkers sometimes require a family to recertify more often if it experiences frequent changes in circumstances and/or does not regularly

report changes in circumstances. However, parents are required to report any changes in circumstance during this period that can affect their subsidy level, eligibility, or copayment (including changes in income, work schedules, family status, providers, and so on). Sites vary in requirements for interim reporting, with some requiring in-person visits.

A study of 380 EITC audits finds that certification processes may be difficult for eligible families. This study also finds that among the 38 percent of cases audited that did not respond to audit requirements (at all or at least not on time), 96 percent of them were eligible for the EITC claimed, and 43 percent of them were entitled to more than they claimed (Olson 2004).

Outreach

Advocates and government agencies often endorse outreach strategies to improve knowledge about the programs. Knowledge about the new SCHIP program and participation was limited at first. Subsequent outreach and education activities—coupled with simplification of program procedures—substantially increased program participation. But, as noted earlier, it is not possible to tell whether outreach or particular program reforms had the greatest impacts on participation. Some small-scale studies have found an association between Medicaid/SCHIP outreach efforts and enrollment in public programs (Mayer 1992; Stine 1991), and a careful, quantitative study in California identified a strong link between outreach spending and Medicaid participation at the county level (Aizer 2003). Aizer (2003) suggests that Spanish-language advertisements lead to increases in the enrollment of Hispanic children, and access to bilingual application assistance from community-based organizations leads to increased enrollment among Hispanic and Asian children.

Federal and state governments began to increase food stamp outreach activities around 2000 in response to the dramatic declines in caseloads. Bartlett and her coauthors (2004) found some outreach under way in three-quarters of the local welfare offices they visited in 2000. Outreach typically consisted of community presentations, flyers, and hotlines. Over half of these local offices coordinated food stamp outreach with Medicaid or SCHIP outreach. In local areas with outreach, their multivariate estimates showed that outreach effectively communicated eligibility information to nonparticipant households.

An Urban Institute review of 18 local food stamp outreach projects indicates that moving eligible families through the application stage often requires more intensive assistance (Zedlewski et al. 2005). Grantees found that information dissemination alone seldom increased enrollment. The majority also found that showing families their eligibility and potential benefit amount through prescreening did encourage applications. However, many families, especially hard-to-reach populations such as immigrants and the working poor, required further support through the application process (Zedlewski et al. 2005). The results, similar to those from other outreach studies in the FSP and evidence from Medicaid/SCHIP research, suggest that connecting low-income families to work support programs can be costly and intensive.

Outreach has generally not been part of the child care subsidy program's strategy, particularly for lower-priority groups such as working families not on welfare. Funds generally have been inadequate to serve all those eligible for child care subsidies. A number of states' program activities, for example, can be characterized more by waiting lists and frozen intake than reaching out to new applicants. Funding is the biggest issue shaping child care subsidies. Encouraging more working families to apply may simply result in increasing the number of eligible parents on waiting lists or not served. However, a

few states and sites have conducted outreach for child care, including strategies such as toll-free numbers, targeted mailings and information campaigns, work with Child Care Resource and Referral agencies, and partnerships with community organizations and employers (Ganow 2000).

Links to Other Programs

The statistics presented earlier and the discussion about participation factors both document that eligible families currently or recently on welfare participate in work support programs more often than eligible families with no connection to welfare, even after controlling for many other differences between the two groups. Families on welfare are likely to have better information about work support programs; caseworkers tell them about and sometimes assist them in getting available supports. Also, all the non-tax work supports have eligibility rules that target families leaving welfare for work.

At the same time, other studies show that these connections can limit program participation. Dion and Pavetti (2000) document how TANF rules can sometimes be at odds with messages in other work support programs and get in the way of eligibility. TANF sanctions, for example, may inadvertently cause local offices to discourage Medicaid and food stamp receipt. Food stamps should be sanctioned if a person who is subject to food stamp work requirements fails to comply with TANF work requirements. While the sanction should not automatically extend to all members of the food stamp household, it often does (U.S. GAO 1999). Also, most state studies find that food stamp and Medicaid participation decline after a welfare sanction (Acs and Loprest 2001).

TANF diversion may also contribute to lower rates of participation in the FSP and Medicaid among working poor families (Dion and Pavetti 2000). Bartlett and her colleagues (2004) find that 80 percent of local welfare offices use some form of TANF diversion. Offices with diversion usually offer lump-sum payments in lieu of cash welfare enrollment, or they require substantial proof of job search before a family is enrolled. Diversion can delay food stamp and Medicaid application processing because these benefits are commonly on a joint application with welfare. Eligibility workers may think that food stamps or Medicaid cannot proceed until TANF-required job search has been completed or they may deny benefits when a family receives lump sum payments. Some workers don't talk about eligibility for these other benefits because they think it sends the "wrong message" (U.S. GAO 1999).

Child care subsidies also are closely linked to TANF because states have strong incentives to provide child care subsidies to TANF families required to work or participate in work activities. States tend to make these families, as well as families leaving TANF for work, a high priority (Edie 2005). However, research also suggests that despite their high priority status, a number of TANF clients and leavers do not receive subsidies. For example, a recent study using administrative data from three states finds that the use of child care subsidies among income-eligible TANF recipients and leavers never exceeds 35 percent (Lee et al. 2004). These findings are corroborated by several state studies of welfare leavers finding that only 7 to 43 percent receive child care subsidies (Acs and Loprest 2001). Research suggests that many of the factors described earlier in this report are likely to be in play for this population, as well as others (Adams et al. 2006).

Child support requirements also can reduce program participation. Food stamps and often child care subsidies require cooperation with child support enforcement organizations. Some evidence shows that child care subsidy use is higher among parents with child support court orders than among single

parents without child support orders (Shlay et al. 2004). Studies show that child support enforcement requirements deter participation in food stamps because custodial parents fear recriminations or losing their connection with the absent parent (Roberts 2004). Further, Roberts (2004) suggests that local child care subsidy offices use child support enforcement to limit eligibility and target scarce subsidy dollars to those not able to produce financial support from an absent parent.

Innovations Aimed at Increasing Participation in Work Support Programs

This paper's review of work support office practices suggests some simple strategies that would enhance participation among eligible low-income working families. Other initiatives that go beyond these simple strategies and often beyond program borders have been tested and demonstrate ways to increase support for low-income working parents. The tensions at the heart of rationalizing service delivery are nothing new (Corbett and Noyes 2003 provide a summary of the history of the service integration agenda). However, some newer experimental results and state innovations show promise for a low-income working families' support system.

Changes in work support service delivery discussed earlier demonstrate ways to increase participation in work support programs. Simplifying application processes, reducing paperwork, and moving intake away from the welfare office can increase participation. Family-friendly, "pro-participation" food stamp offices increase participation. Improvements in service delivery (including caseworker training and reductions in workloads) also seem likely to increase participation. Studies also suggest that waiving in-person visits increases participation among working families.

The EITC application process contrasts sharply with the welfare-like participation requirements in the other work support programs. The EITC does not require in-person contact with a social service agency, and families can turn to a free or relatively low-cost preparer to get help submitting their tax return. Not surprisingly, the program is characterized by high participation rates.

A few innovations focused on the broader set of work supports and a few examples of initiatives in particular programs suggest ways to improve the work support delivery system. Some examples can be drawn from recent welfare-to-work strategies focused on "making work pay." Other examples tend use entities outside the government—such as employers and schools—to facilitate service delivery, taking advantage of the natural connections with working poor families.³³

New Hope, a five-year demonstration implemented in Milwaukee, offers insight into the potential effects of a more integrated work support system. New Hope offered an earnings supplement, subsidized health insurance, and subsidized child care to parents working 30 hours a week or more. A careful evaluation that included a control group not receiving the work supports concludes that the experimental group worked and earned more, gained awareness about how to access resources in the community, and increased the use of formal center-based child care and after-school programs (Huston et al. 2003). Other positive effects included increases in children's academic achievement and positive social behaviors.

The results of the Self-Sufficiency Project (SSP), a randomized experiment conducted over a ten-year period in Canada, also demonstrate the positive benefits of supplementing working families' incomes (Michalopoulos et al. 2002). This experiment focused on moving long-term welfare recipients into full-time jobs. The supplements roughly doubled participants' pre-tax income. While this experiment shows

the effects of a pure income supplement (rather than a mix of supplements and in-kind benefits such as food and medical assistance), it does demonstrate the effects of increasing net incomes of low-income working families. Results show that families in the experiment were more likely to hold full-time jobs and less likely to be poor. The SSP had mixed effects on children, improving cognitive and school achievement among young school-age children but having negative effects on adolescent behavior. Other results, however, indicate fairly low (38 percent) take-up among those eligible and uneven participation during the supplement period among those that did participate. The evaluators note that perceived difficulty in finding a full-time job, a requirement for participation, acted as a barrier for some potential participants.

Less ambitious initiatives aimed at improving low-wage workers' job retention and advancement also include features that improve access to work supports. For example, the Achieve Program in Cuyahoga County, Ohio, piloted an employer-based strategy aimed at reducing the cost of employee turnover and including comprehensive services to workers (Chun-Hoon 2003). Using employers as the point of access, Achieve placed case managers at employment sites whom participants could access at any time. Case management services included counseling, information about and referral to other work supports, and access to emergency funds for transportation and child care. Based on a sample of 85 employees across five corporate sites, Achieve reduced employee turnover significantly.

Some states have demonstrated promising practices that increase the use of work supports among working, low-income families. For example, the state of Maine has implemented a system that attempts to deliver food stamps and Medicaid as key work supports in a "respectful, user-friendly" environment (Dion, Hyzer, and Nagatoshi 2000). This state focused on bringing the "human" aspect into its system by taking a personal, flexible, and creative approach to enrollment and retention. Maine also removed TANF diversion and language barriers by improving application processes and including face-to-face interpreter services. They improved benefit retention by simplifying recertification and waiving face-to-face interviews. Administrative data show that Maine has achieved high participation rates in food stamps and Medicaid, even while maintaining moderate error rates and dramatically reducing welfare caseloads.

A number of innovative approaches to Medicaid and SCHIP enrollment adopted following the SCHIP expansions also suggest system changes that could enhance program participation. The Children's Partnership pioneered "Express Lane Eligibility (ELE)," a strategy linking children whose families participate in the other government programs such as the National School Lunch program (NSLP) to Medicaid and SCHIP coverage. Kenney, Haley, and Ullman (1999) show that many uninsured children enroll in the NSLP, suggesting a cost-effective way to identify uninsured children and reduce families' paperwork requirements. California, for example, enacted ELE with its school lunch program in 2001. Preliminary analysis indicates both successes and challenges. For example, many families that obtained temporary Medicaid coverage for their child failed to follow up and obtain full Medicaid coverage. This may suggest that these families needed more follow-up support, or it could suggest that families (especially immigrant families) chose not to provide information beyond what was required to qualify for school lunch.

Another innovative approach to enhancing enrollment involves the adoption of a passive renewal system in Florida's SCHIP program, where enrolled children were automatically renewed for coverage as long as premium payments were up to date and no income or family circumstance changes were reported. Florida's passive renewal policy promoted greater program retention (Dick et al. 2002).

However, faced with tight budget pressures in 2004, Florida changed a number of SCHIP program features to reduce enrollment, including doing away with its passive renewal system. Under its new system, Florida sends renewal notices to families requesting updated family information and new income verification to continue enrollment (Hill et al. 2005). This change is anticipated to reduce reenrollment.

Other changes in work support delivery systems also focus on simple, cross-program interactions. For example, Nebraska developed a child care subsidy fact sheet for parents in collaboration with the State Children's Health Insurance Program to reach families that had not previously received cash assistance, food stamps, or Medicaid. The state mails the fact sheet to all licensed child care and preschool programs across the state in a format that could easily be photocopied for parents. Nebraska also sends a yearly mailing to all parents of children enrolled in public schools across the state. The mailing informs parents of the free and reduced-price school lunch program and, since 1998, has included information on the eligibility requirements for child care subsidies and a toll-free number parents can call to get more information. These efforts have increased the number of children receiving subsidized child care and the amount of child care subsidy expenditures in Nebraska (Ganow 2000). Forthcoming research by the Urban Institute in seven midwestern states has identified some states experimenting with linking computer systems so that changes in employment or income reported to one system (such as TANF or Food Stamps) will automatically be communicated to others (such as child care). This should reduce interim parent reporting requirements and improve eligibility tracking.

Other sites show that collaborative efforts can help make information about or access to child care subsidies more available, even when outreach is not their explicit purpose. For example, in Kansas City, Missouri, community leaders have integrated funding streams to support out-of-school-time programs throughout the school district. Community leaders began to examine eligibility requirements for school meals and for child care subsidies and found that in virtually every case, if a child qualified for free school meals, he or she would also qualify for a child care subsidy. They streamlined the application process for families eligible for both programs so parents only need to complete one application form. In its first year of operation, the before- and after-school child care program operates in 44 of the 53 elementary schools in the district and serves between 6,000 and 6,500 children. The program is funded with TANF dollars, federal food funds, Title I funding, contributions from the philanthropic community and local corporations, and parent fees (Ganow 2000).

While results will not be available for some time, the U.S. Department of Health and Human Services has contracted with Abt Associates and MDRC to conduct randomized trials to evaluate different child care subsidy strategies. Sites have recently been chosen and should provide important information about this system in the future. Some of the policies being examined include copayment levels, extension of eligibility, and child care quality enhancement strategies. Possible approaches could include increasing payments to providers, lengthening certification periods, and training informal providers to help children prepare for school entry.

Summary and Implications

The four key programs supporting low-income working families do not function as a system. Each operates under a separate sets of rules that many low-income families find daunting. Three programs—Medicaid/SCHIP, food stamps, and child care subsidies—still reflect their welfare roots, although to

varying degrees. Working families must navigate complex eligibility rules that differ across the programs and states. The fourth program, the EITC, works through the tax code. Families do not have to jump through the other programs' eligibility hoops, but the complexity of the tax code leads most families to get professional help when applying for the credit.

Most low-income working families do not receive the full set of supports. Among low-income working families, 28 percent receive only the EITC, 27 percent receive Medicaid/SCHIP (at least for their children) and the EITC, 19 percent receive food stamps along with Medicaid/SCHIP and the EITC, and about 5 percent receive all four work supports. Among working poor families (those within the income eligibility range for all of the programs), only 7 percent receive all four work supports.

Our analysis of low-income families' receipt of non-tax work support benefits demonstrates the supports' continued, strong connection to welfare and weak connection to working families. For example, about 27 percent of working poor families with a recent connection to welfare receive all four work supports, compared with 5.6 percent of working poor families with no recent welfare history. Also, poor families with moderate and low work effort are significantly more likely to receive the full set of supports than poor families with high work effort. While this relationship no doubt reflects differences in income and perhaps time in poverty, it suggests that many families working hard to play by the rules do not get many of the supports that could boost their incomes above the poverty level.

As these statistics also demonstrate, the EITC is the most commonly received work support benefit. About 9 out of 10 low-income working families are eligible, and evidence suggests that most eligible families receive the credit. The broad income band covered by the EITC (up to 226 percent of FPL) and the lack of rules other than a work requirement help explain why it is the most commonly received benefit. The EITC does not include an asset test, precertification requirements, or regular income monitoring, and families can apply for the credit in their own home or in the private office of someone paid to help them get the credit.

Perhaps it is not surprising that such a small share of working low-income families receives all the supports. Some programs restrict eligibility when budgets get tight, and others have fairly restrictive eligibility criteria. For example, only about 1 in 10 low-income working families reports getting help paying for child care. Fixed block grants force states to create waiting lists and freeze or restrict eligibility when money gets tight. These policies effectively discourage working families from applying by making it unlikely that they will obtain subsidies. Eligibility for Medicaid and SCHIP also can be elusive. SCHIP technically reaches a broad income group (some states cover children in families with incomes up to 300 percent of FPL), but the fixed federal block grant leads states to adjust eligibility to fit funding limits. Also, low-income working parents often are ineligible for Medicaid or SCHIP. Finally, while the FSP entitles all families meeting the income and asset eligibility criteria to benefits, its complexity discourages many eligible working families from applying.

Research provides ample evidence about barriers to participation. Numerous studies show that lack of information among potentially eligible families (especially families with language barriers and low cognitive ability, and families outside the welfare system) limits participation. Complex application processes that require extensive income and expenditure documentation and sometimes finger imaging also create participation barriers. Welfare offices, still the point of entry for food stamps and child care subsidies, limit access to working families when they open only during normal working hours. Benefits that still retain their link to welfare carry a stigma that some working families want to avoid.

Research also suggests ways that state and local delivery systems can increase access and participation. Recent changes in Medicaid and SCHIP have increased participation, particularly among children, by conducting intensive outreach and education, simplifying application processes, and moving intake to multiple locations outside a welfare office. Research also shows that friendlier government offices with pro-participation attitudes, office hours that fit the needs of working parents, and available translators all increase participation among low-income families.

States can improve delivery systems within existing program frameworks. A few states have designed systems that educate low-income families about the available work supports, streamline the application processes, and facilitate access to benefits outside welfare offices. Many changes that streamline work support delivery systems do not require special permission from the federal government.

Changes that increase program participation also will increase costs for the federal and state governments. The goal of increasing program participation runs counter the current federal fiscal environment. In fact, the Bush administration and some members of Congress have begun looking for ways to reduce spending on these supports. Reductions in Medicaid and food stamp spending were narrowly passed in the 2005 budget debate. These changes would conflict directly with increases in families' needs resulting from a weaker economy and higher poverty. Food stamp caseloads have increased substantially since 2002, and more states have found it necessary to either freeze intake or establish waiting lists for families applying for child care subsidies (Edie 2005).

Of course, the ultimate goal should be for families to achieve independence from government supports. The private sector also should play a role in achieving this goal. Higher paying jobs with better benefits could reduce reliance on the public sector to support working families. In contrast to nearly 100 countries around the world in all geographic regions and at all economic levels, the United States does not require employers to provide paid annual leave (Heyman et al. 2004). Some paid leave would help to assure job continuity when family emergencies arise and reduce pressures on parents to find child care when children get sick. Employer-sponsored health insurance with affordable cost sharing for low-wage workers would reduce the pressure to expand SCHIP. Finally, access to better paying jobs through job training and career ladders would reduce low-wage workers' need for food assistance. While this paper reviewed the government work support system, long-term solutions require a dual strategy that involves the private and government sectors.

NOTES

1. Sawhill and Haskins (2002) define a broader set of work supports that includes policies with employer and individual requirements (the minimum wage, child support, unemployment insurance, and education and training), designed to ensure a minimum wage, provide insurance when workers lose their jobs, and enforce child support payments. Work supports might also include cash welfare (TANF) and the federal refundable child credit. We exclude these from the core set of work supports. TANF primarily focuses on cash assistance for families with children that have limited or no other sources of cash financial support. While it does serve as a temporary support to some working families, 70 percent of families on TANF are not employed (HHS 2004). Also, while the refundable child credit begins to benefit families with earnings in excess of \$11,000, well within the low-income range used in this study, most of this tax expenditure helps middle-income families. In 2005, this tax provision provides a credit worth 15 percent of earnings in excess of \$11,000 and phases out when AGI exceeds \$110,000 for married couples and \$75,000 for single parents.
2. A small credit became available for single working individuals in 1994 that is not discussed here.
3. States could use funds from the SSBG before the 1988 FSA to subsidize child care for a range of low-income working families (including those not on welfare). The FSA forced states to focus more on supporting families on welfare. Child care subsidies vary broadly across states in both their history and their current implementation; this discussion provides only a general impression of changes that occurred in child care.
4. This discussion vastly oversimplifies the federal role in child care. There are significant federal investments in other programs that support the care and development of young children, including Head Start, Early Head Start, and the Child and Adult Care Food Program. However, unlike child care subsidies, these programs are not targeted to low-income working families.
5. As noted earlier, some states historically used other funding streams to subsidize non-welfare low-income families.
6. States have an “enhanced” match rate for SCHIP that pays a larger share of the costs than the Federal Medicaid Assistance Percentage (FMAP), calculated by multiplying 30 percent by the difference between 100 percent and the FMAP, up to a ceiling of 85 percent. For federal fiscal year 2005, the SCHIP match ranges from 84 percent in Mississippi and 82 percent in 3 states (AK, NM, and WV) to 65 percent in 13 states (CA, CO, CT, DE, IL, MD, MA, MN, NH, NJ,

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- NY, VA, and WA). SCHIP Federal Matching Rate (FMAP), FFY 2005, can be found at <http://www.statehealthfacts.org>, the Kaiser Family Foundation.
7. Calculated from “FY 2005 CCDF Allocations,” from HHS (2003).
 8. The states’ maintenance of effort requirement under the TANF block grant requirement is about 75 percent of federal costs. In fiscal year 2002 state expenditures accounted for 43 percent of total spending. (Calculated from HHS 2004, table A, page II-1.)
 9. As of fall 2005, the last year for which a full set of comparable expenditure data for families with children is available across these programs was 2002. Medicaid and SCHIP spending for children and parents, in particular, lag behind the availability of data for the other programs.
 10. States vary in income thresholds for working parents from 19 percent of FPL in Alabama to 275 percent of FPL in Minnesota; 69 percent is the median. Information about eligibility limits comes from the Kaiser Family Foundation statehealthfacts.org interactive database.
 11. A family must also have net income below 100 percent of FPL, where net income is gross (cash) income less a standard deduction and deductions for child care expenses, 20 percent of earned income, child support payments, and housing expenses above established norms for the area.
 12. Giannarelli (2005), summarized from a synthesis of the 2003 state child care plans for the TRIM3 model.
 13. Nineteen states have a minimum hours of work requirement for non-welfare families that ranges from 15–20 hours per week in seven states to 30 or more hours in six states. Note that sometimes the implementation of state child care subsidy programs differs from the plans submitted to the federal agency.
 14. Many (26) states disregard SSI and TANF income, income sources less relevant to the working families discussed here.
 15. The 1996 welfare reforms allowed states to link programs funded under their TANF block grants with food stamp eligibility. Forty states have taken advantage of this option and effectively get around the strict federal asset limit for many working families that do not receive cash assistance (Dean 2004).
 16. The average annual cost of full-time, center-based child care in Pennsylvania was \$6,500 per child in 2002 dollars. This family would pay a copayment of \$256, using Pennsylvania’s 2003 copay rules (Giannarelli 2005). Center-based care was chosen because it is used by 58 percent of subsidized children (HHS 2003).
 17. As noted earlier, families begin to qualify for a refundable child tax credit as earnings increase. This credit, 15 percent of earnings above \$10,000 in 2002 up to a maximum of \$500 per child, helps offset the EITC phaseout.
 18. The IRS recently announced plans to shut down 68 of these centers to save money; it is unclear whether the closures will be approved.
 19. To some extent the reliance on paid preparers may be because taxpayers want to obtain quicker refunds by filing electronically.
 20. Subsidies typically provide a voucher to parents to use at the child care provider of choice, although some states use some funds to contract with providers for slots for children. “Parental choice” is a key principle of the subsidy system. Parents can use any legal provider willing to accept their child and the subsidy, including child care centers, family homes, relative caregivers, and in-home caregivers. Vouchers can be used for programs legally exempt from licensing (such as relative caregivers, in-home caregivers, and sometimes small family child care providers).
 21. This approach exploits the variation from changes in policy design or parameters over time to examine outcomes. The comparison group (those not affected by the regime) provides the counterfactual necessary to evaluate the effects of the policy.
 22. Child care funding overstates expenditures per child somewhat because states can carry over some of the funds to a future year. Expenditure data are not available for both years.
 23. We assess the receipt of all four work supports for families with children under age 18 for simplicity. Since child care subsidies are restricted to families with children under age 13, our age cutoff contributes to the relatively low receipt rates of this support, on average. We do show differences in benefit receipt by age of youngest child in table 6.
 24. We report direct reports of receipt from the NSAF. While all surveys suffer from some underreporting of government benefits, these benefits compare favorably with administrative data for the comparable time period. See Abi-Habib, Safir, and Triplett (2004) for a description of the survey and data reliability.

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25. Getting help with child care includes families that said that a government or social services organization paid all or part of their child care expenses or that they paid for child care on a sliding fee scale. Capturing government help with child care expenses is challenging because families may not be aware of the source of their child care assistance.
 26. Families would not necessarily know whether they received the EITC because sometimes the credit simply offsets taxes owed and the family does not receive a cash refund. Also, families can receive credits in other ways (such as overpayment of payroll taxes and, more recently, the refundable child credit). Also, as reported earlier, most families receiving the EITC paid a preparer who may not explain the refund(s).
 27. Acs and Loprest (2005) include the work of all adults in a social family in their definition of family work intensity. We exclude non-parent adults from our definition because these adults would not likely be eligible for many of the work supports since they are not the parents of the children in the family.
 28. Head Start and most state prekindergarten programs available to low-income 4-year-olds (and sometimes 3-year-olds) do not depend on parents' work status.
 29. Some immigrant families do not apply for the EITC, but good estimates of the share and types of immigrants that receive the EITC are not available. However, as we discuss later, Ross Phillips (2001) reports that immigrants have less knowledge of the EITC than nonimmigrant families.
 30. Demographic characteristics such as age, race, ethnicity, and household composition were not associated with whether households believed they were eligible.
 31. Children who reportedly do not need health insurance coverage appear to be in better health and have fewer unmet needs relative to other low-income uninsured children (Blumberg, O'Connor, and Kenney 2005; Kenney and Haley 2001).
 32. Lo Sasso and Buchmueller (2004) and Kronebusch and Elbel (2004) attempt to identify the individual contributions of particular policy choices that do not vary much over time or within a state. However, the impacts estimated from their models are likely to be biased because of key omitted variables (such as the presence and type of outreach undertaken) that are correlated with the included policy variables.
 33. Chun-Hoon (2003) reviews state policies and local program innovations and Litchfield, Swanberg, and Sigworth (2004) provide a summary of model employer programs and practices for hourly and lower wage employees.

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ABOUT THE AUTHORS

Sheila Zedlewski is director of the Urban Institute's Income and Benefits Policy Center. Her research deals with welfare reform, low-income program participation, and poverty. Her recent articles deal with the link between welfare reform and food stamp participation, and the changing characteristics of families participating in cash assistance programs.

Gina Adams is a senior research associate in the Urban Institute's Center on Labor, Human Services, and Population, where she is responsible for directing research on child care and early education. Her research efforts focus on policies and programs that affect the affordability, quality, and supply of child care and early education, as well as on the child care arrangements of families.

Lisa Dubay is a principal research associate in the Urban Institute's Health Policy Center. Her research has focused on the impact of expansions of the Medicaid program insurance coverage, access to and use of health care services, and health outcomes. Ms. Dubay is a codirector of the Urban Institute's evaluation of the State Children's Health Insurance Program.

Genevieve Kenney is a principal research associate in the Urban Institute's Health Policy Center. Her research focuses on how public policies affect access to care and insurance coverage for pregnant women and children. Dr. Kenney is a codirector of the Urban Institute's evaluation of the State Children's Health Insurance Program.

