
CHAPTER VI

THE FINANCIAL CORRELATES AND CONSEQUENCES OF PATERNITY ACKNOWLEDGEMENT

A. Obtaining Medicaid, AFDC and Child Support Information for Non-Marital Births

To determine whether and how financial factors come into play in the decision to acknowledge paternity, we examined a variety of state databases for evidence of unmarried parents' involvement with the Aid to Families with Dependent Children (AFDC), Medicaid and Child Support Enforcement (CSE) systems. The AFDC system provides cash welfare payments for needy children. Medicaid affords medical coverage to AFDC recipients and others such as pregnant women and children up to age 6 with family incomes up to 133 percent of the poverty level. It is also available to intact and married families at higher income levels. The CSE program seeks to collect child support from absent parents. Federal law requires AFDC applicants and recipients to assign their support rights to the state as long as the family receives AFDC and to cooperate with the CSE program to obtain child support payments. Parental involvement with these three benefit programs provides a sensitive indicator of financial dependence and/or the financial involvement of fathers.

Our research methodology involved searching for all unmarried parents exposed to the in-hospital orientation about paternity in a variety of state databases pertaining to AFDC, Medicaid and child support. If a parent could be located, we recorded the history of their involvement with these systems prior to the birth of the baby born during this project. We also monitored subsequent parental involvement with each benefit program following the baby's birth. Our measures of subsequent involvement were taken at two different timepoints. For 2,200 unmarried births during 1993-1994, we checked state databases nine months following delivery. For 1,540 unmarried births during 1993, we checked state databases at fifteen months following the birth of the baby.

A copy of the data collection form we used to elicit information on AFDC, child support and Medicaid benefits appears in Appendix D.

B. History of AFDC, Medicaid and Child Support Involvement for Project Families

Two-thirds of unmarried parents exposed to the in-hospital overture about paternity had never been involved with the AFDC or Medicaid systems prior to the birth of their baby. The remaining third had been involved with these systems, generally with a previous child. A small group of families (7 percent) had received AFDC at some point in the past but were not recipients at the time of the child's birth. The remaining 27 percent were recipients of AFDC at the birth of the child.

Since AFDC recipients are not referred for child support services until after the birth of the baby, only 8 percent of parents in the project could be found in the child support system prior to their delivery. Fully 92 percent had no discernible, prior involvement with the child support enforcement agency.

Nine months following the birth of the child, the financial situation of project families looked dramatically different. At that timepoint, more than three-quarters (77 percent) of all babies born to unmarried mothers in the project were recipients of Medicaid, nearly half (48 percent) were recipients of AFDC and 42 percent were involved with the child support system.

At fifteen months following the birth of the child, the benefit picture for unmarried parents in the project had not changed much. Now, 80 percent of families were involved with Medicaid, 52 percent were recipients of AFDC and 48 percent were involved with the child support system. Figure VI-1 presents the proportions of unmarried families receiving benefits or services at the birth of their baby and at 9 and 15 months following delivery.

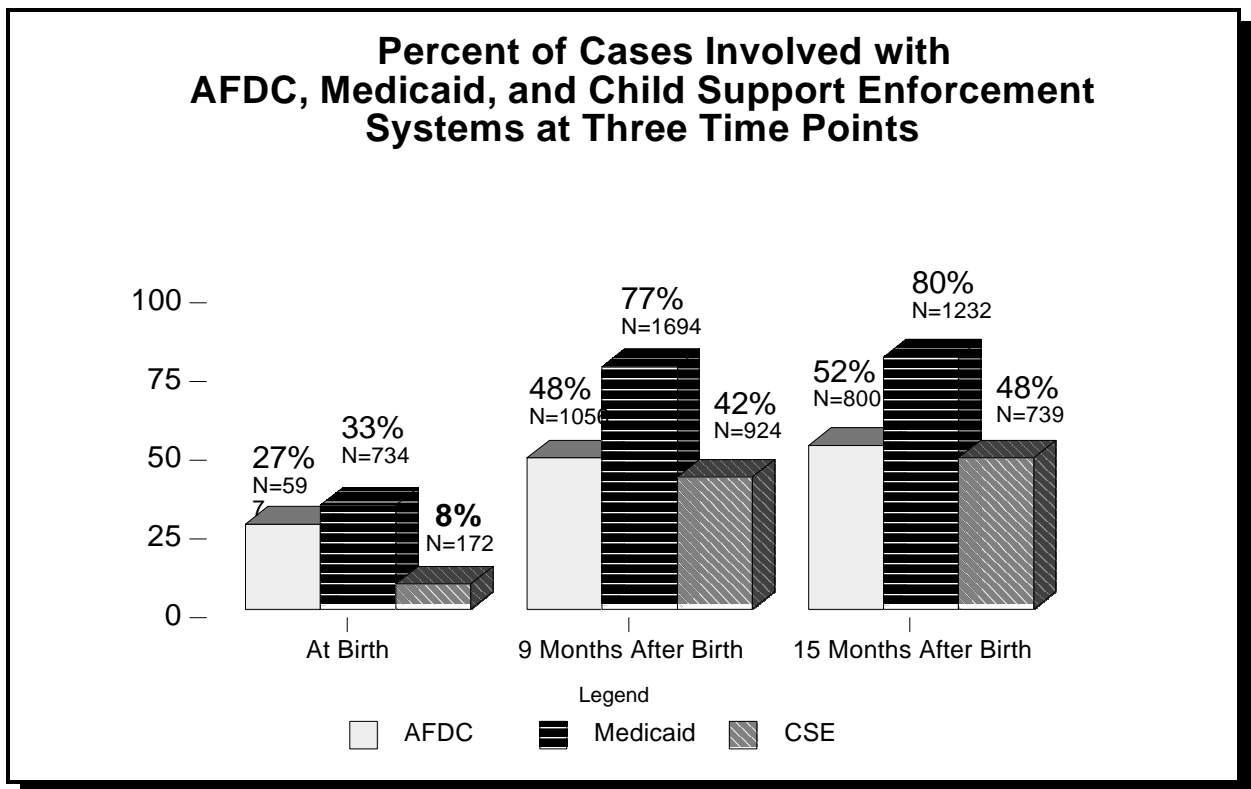


Figure VI-1

C. Benefit Status at the Time of Birth and Paternity Acknowledgement

Does the current or past receipt of AFDC or Medicaid affect the propensity of unmarried parents to voluntarily acknowledge paternity? Figure VI-2 compares rates of voluntary acknowledgement among parents who were and were not involved with benefit systems at the time of the child's birth. The relationship between benefit status and voluntary acknowledgement was strong and consistent across the four hospitals. Voluntary paternity acknowledgement was most attractive to parents who were financially independent and least attractive to those involved with the benefit system at the time of the child's birth.

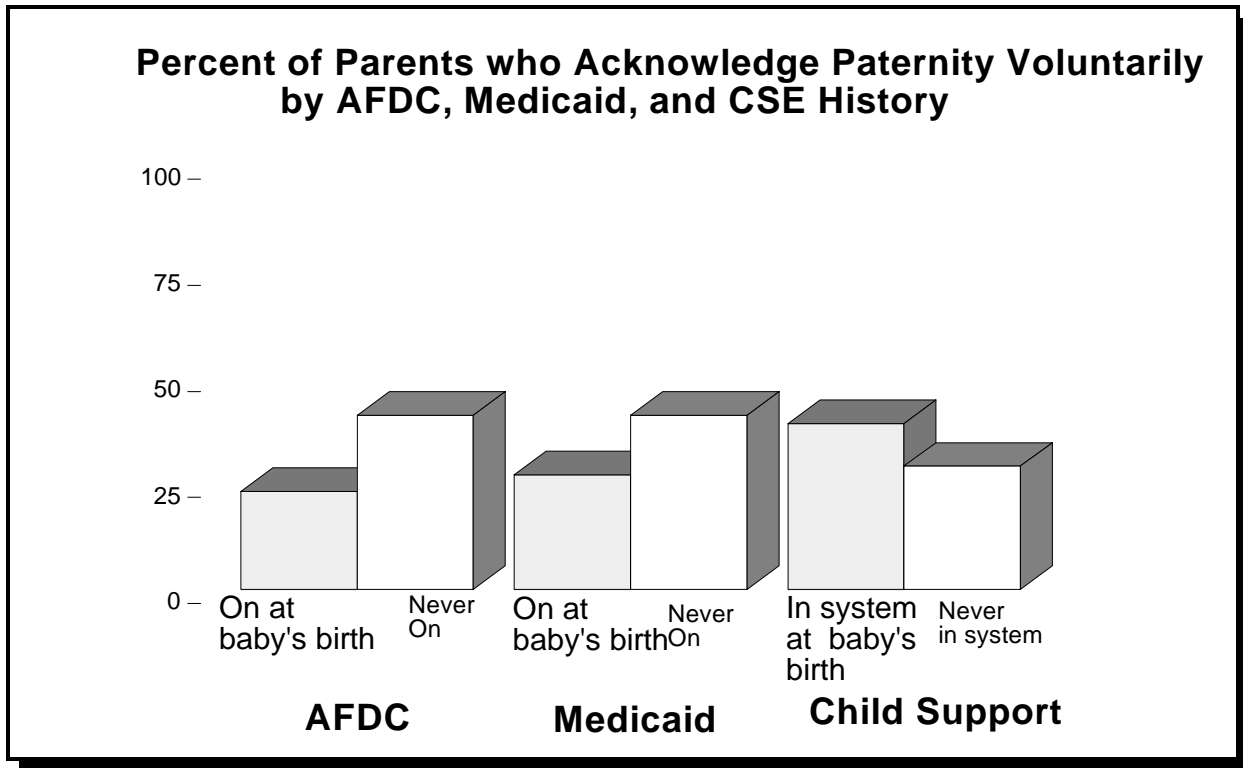


Figure VI-2

With respect to AFDC, we found that those parents who were AFDC recipients at the time of the baby's birth were the least likely to voluntarily acknowledge with only 23 percent doing so. Parents who had previously been on AFDC but were not recipients at the time of the birth and parents with no prior AFDC history had identical acknowledgement rates of 41 percent.

Acknowledgement rates tracked with Medicaid history in a similar fashion. While 41 percent of those with no prior Medicaid history agreed to voluntarily acknowledge paternity, this was agreed to by 27 percent of those with previous Medicaid history.

We found the opposite acknowledgement pattern among those with prior children with respect to involvement with the child support enforcement agency. Among those with older children, 39 percent of parents involved with the state-run child support system decided to voluntarily acknowledge as compared with 29 percent of those who had never been involved with

the child support enforcement agency. It is possible that parents already in the child support system when the child is born are more resigned to the financial consequences of paternity acknowledgement than their counterparts who have not yet been "caught" by the child support agency. These parents might forego voluntary paternity acknowledgement in order to reduce their chances of being detected by the child support agency.

D. Paternity Acknowledgement and Benefit Status Following Birth

Is voluntary paternity acknowledgement associated with differences in a family's benefit status following the baby's birth? The answer to this question appears to be a resounding "yes." At both nine and fifteen months following the birth of the baby born during the project, those who disavowed paternity were significantly more likely to be AFDC recipients. Conversely, those who voluntarily acknowledged paternity were significantly more likely to be financially independent and not be AFDC recipients. Thus, at nine months following delivery, 67 percent of those who voluntarily acknowledged were financially independent as compared with 43 percent of those who disavowed paternity. By fifteen months following delivery, these proportions had risen to 75 and 59 percent, respectively (see Figure VI-3).

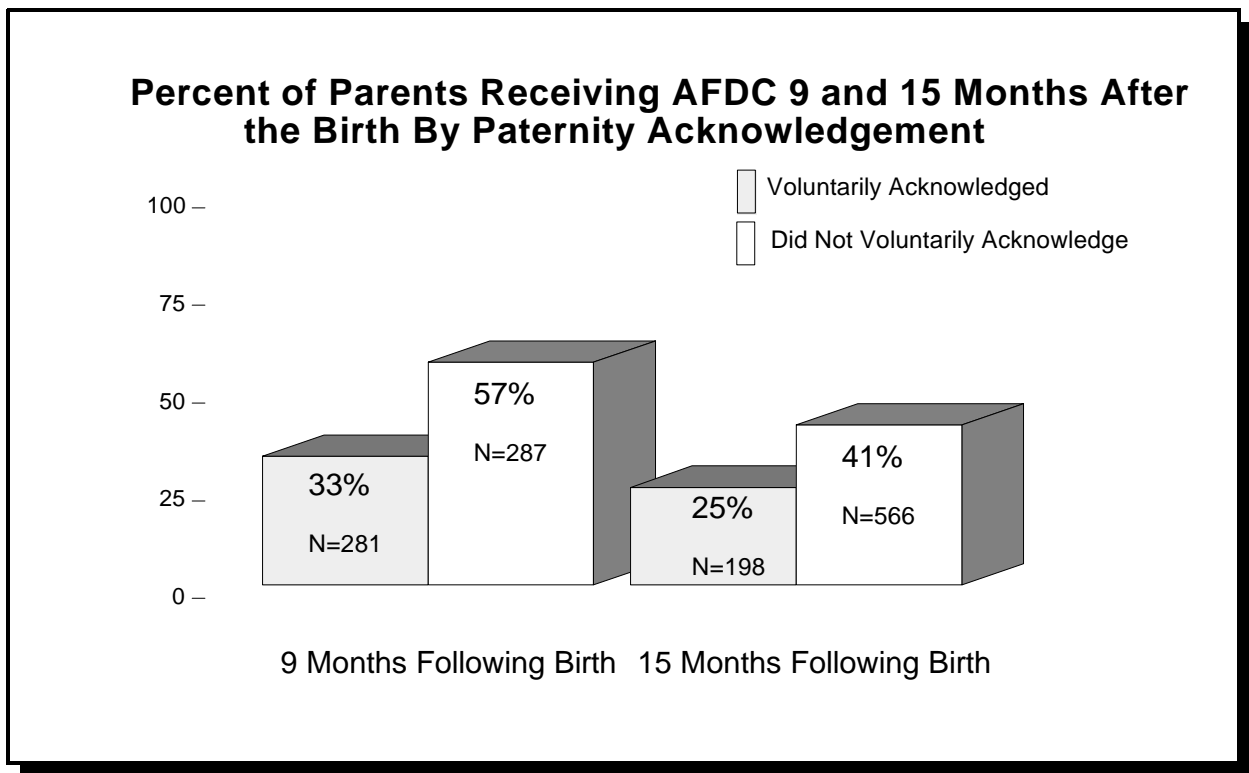


Figure VI-3

Not surprisingly, we found similar patterns of association between acknowledgement status and involvement with the child support system. At both nine and fifteen months following birth, those who had voluntarily acknowledged were significantly more likely to be uninvolved

with the child support system. Since all AFDC recipients are automatically enrolled in the child support program, lack of involvement with the agency is a strong indicator of financial independence (see Figure VI-4).

The relationship between acknowledgement status and the receipt of Medicaid was less clear and tended to vanish over time. Although it was true that at nine months following birth, parents who voluntarily acknowledged were somewhat more likely to be independent of Medicaid (28 percent) as compared with their non-acknowledging counterparts (20 percent), both groups of parents were overwhelmingly apt to be Medicaid recipients (72 versus 80 percent, respectively). By fifteen months, however, the proportion of Medicaid recipients dropped to 54 percent of voluntary acknowledgers versus 55 percent of paternity disavowers. This suggests that many parents use Medicaid on a transitional basis during and following the birth of their baby and that unlike AFDC status, the receipt of Medicaid benefits is not an indicator of lasting financial dependence (see Figure VI-5).

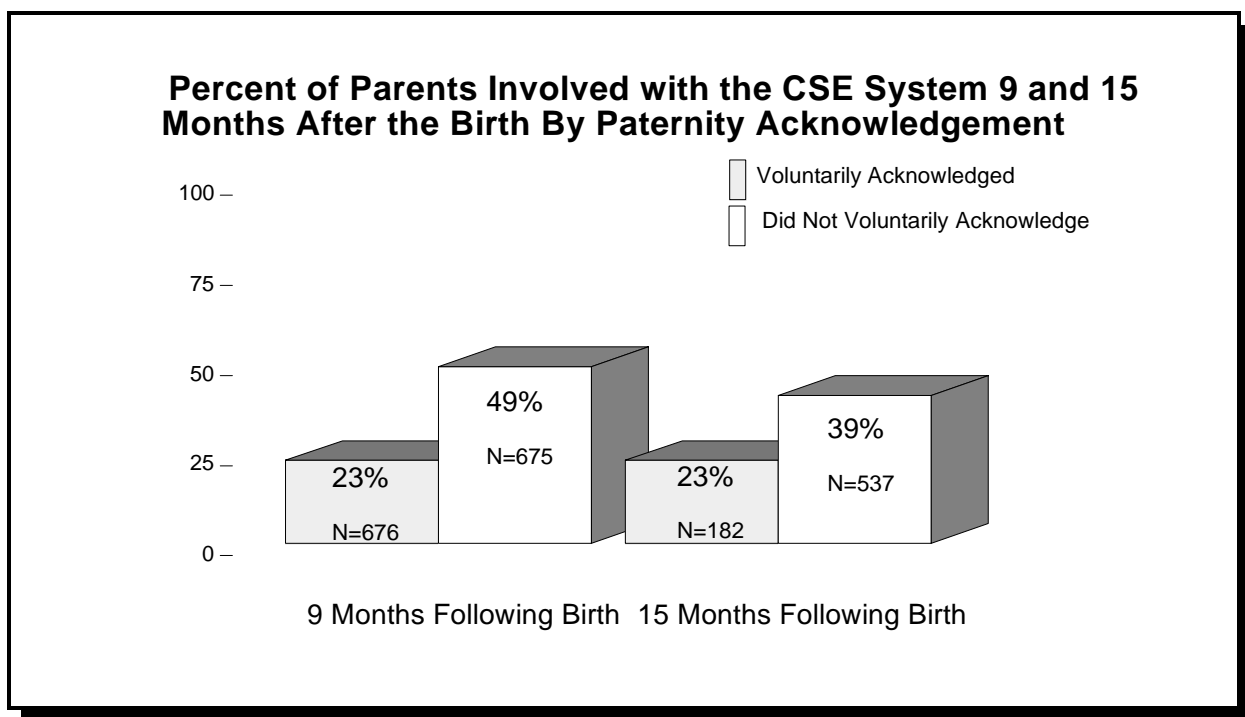


Figure VI-4

E. Paternity Acknowledgement and Child Support

One important objective of the national program to boost the rate of voluntary paternity acknowledgements is to improve the payment of child support by unmarried, absent fathers. The Family Support Act of 1988 includes a provision that sets financial penalties for states that fail to meet specific, quantifiable goals for establishing paternity. Pursuant to this federal mandate, most states have enacted laws requiring hospitals to make the voluntary paternity acknowledgement option available to unmarried parents in at-birth settings.

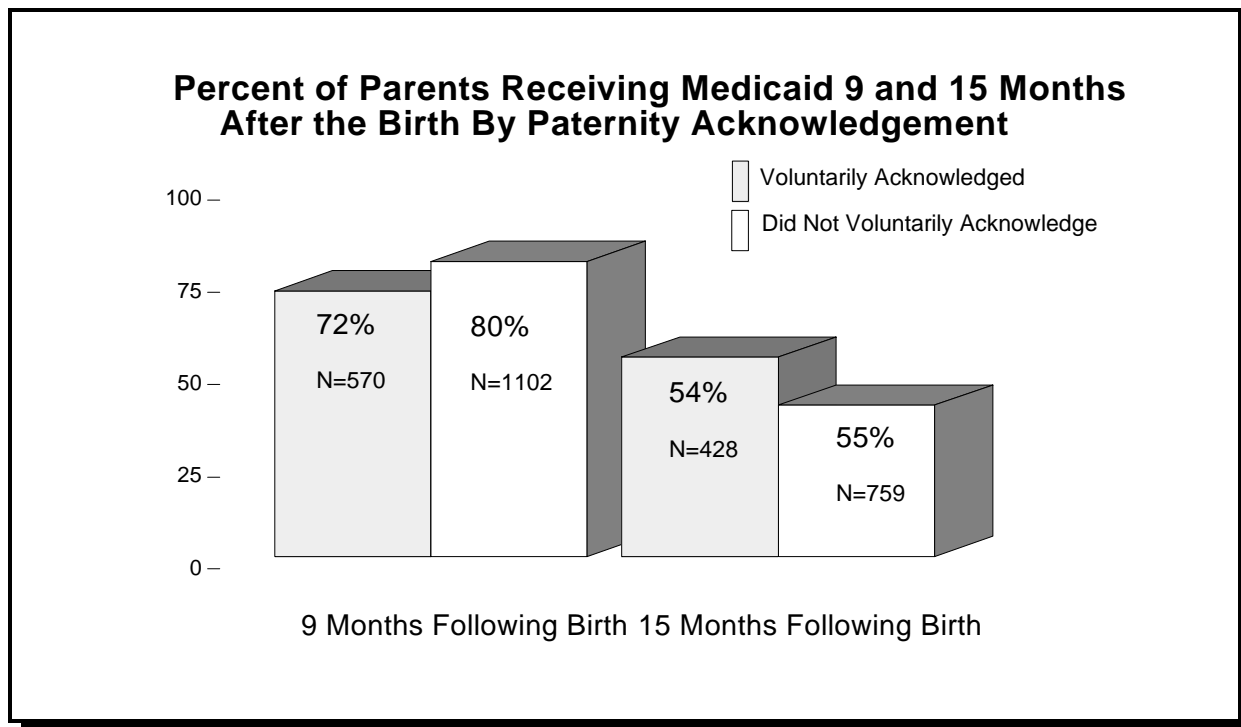


Figure VI-5

The Colorado demonstration project affords some opportunity to examine whether voluntary paternity acknowledgement does indeed translate into child support payment, at least within the fifteen month framework of our study. We tackled this issue by first asking whether the child support agency knew whether unmarried parents had voluntarily acknowledged paternity in hospital settings. In Colorado, in-hospital paternity acknowledgements were reported to the Bureau of Vital Statistics (BVS) for incorporation on birth certificates. No paternity acknowledgement information was routinely conveyed to the child support agency. Although Colorado plans to develop an automated interface between the computerized systems maintained by the child support agency and BVS, no such interface existed during this project. Thus, in order for child support workers to learn about the voluntary paternity status of unmarried parents who come into the child support system, they had to elicit the information in interviews with the mother. Alternatively, a support worker could order a hard copy of the birth certificate for the child in question and visually determine whether the father's name was listed.

Our analysis reveals that communication between child support and vital records agencies is critical to achieving the child support objectives of hospital based paternity programs. For example, in the absence of an automated interface between the two agencies, child support workers frequently fail to learn that paternity has been voluntarily acknowledged. Nine months following the birth of the baby, two-thirds of cases in the child support system where the parents voluntarily acknowledged paternity were improperly classified as lacking paternity. By fifteen months, the proportion of misclassified cases was 56 percent.

According to child support workers in Denver, the misclassification may be due to mothers' failure to appear for an interview, the interviewer's failure to question mothers explicitly about in-hospital paternity acknowledgements, the interviewer's failure to routinely order hard copies of birth certificates, delays by BVS in recording voluntary acknowledgements on birth certificates, and/or mothers' lack of candor about the paternity situation. While Denver Department of Social Services (DDSS) has recently amended its intake procedures to better capture the voluntary acknowledgement process, these misclassifications are cause for concern. They may interject some unnecessary delays in the child support establishment process and potentially undermine many of the benefits of in-hospital acknowledgement. They also depress the state's Paternity Establishment Percentage (PEP) and place it in jeopardy of financial sanction for failure to obtain paternity acknowledgements. Finally they underscore the need for an automated interface between child support and vital records agencies.

The next child support question we examined had to do with the incidence of order establishment among those who voluntarily acknowledged versus those who disavowed paternity. Although the vast majority of both groups of parents who were in the child support system fifteen months following the birth of their baby did not have a child support order, paternity acknowledgers were somewhat more likely to have an order. Thus, fifteen months following delivery, 26 percent of parents who voluntarily acknowledged paternity and were in the state-run child support system had a child support order as compared with only 20 percent of those who did not voluntarily acknowledge. On average, acknowledgers and disavowers had been in the child support system for comparable lengths of time (327 days versus 388 days, respectively). Thus, both groups of parents appeared to become involved with the child support system fairly soon after the birth of their babies and had ample time to establish a child support order.

The final child support question we asked and answered dealt with the relationship between voluntary paternity acknowledgement and payment of child support. We restricted our analysis to parents with open child support cases. At fifteen months following delivery, 5 percent of those who voluntarily acknowledged paternity were paying child support. Among parents who disavowed paternity, the proportion paying child support fifteen months following delivery stood at 6 percent. These patterns are presented in Figure VI-6. Clearly for cases in the state-run child support system, there were no discernible financial benefits to custodial parents and/or the state to voluntary paternity acknowledgement, at least within the first fifteen months of the baby's life.

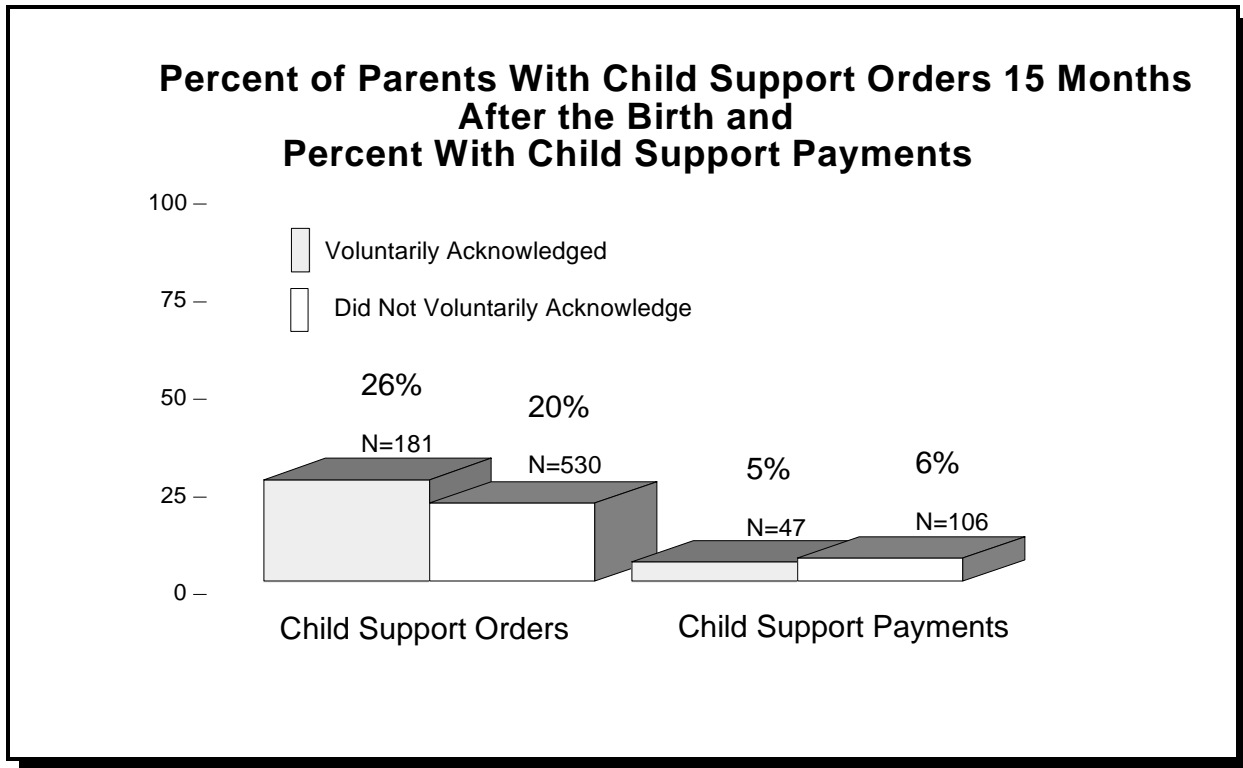


Figure VI-6

F. Summary

Substantial proportions of unmarried parents are involved with the AFDC, Medicaid and child support systems in the months following the birth of their babies. By 15 months post-delivery, half are AFDC recipients and have cases opened for services by the child support enforcement agency; 80 percent are recipients of Medicaid.

An examination of voluntary acknowledgement rates for parents with various benefit histories reveals that it is significantly more appealing to those who are financially independent and have never been on AFDC or a recipient of Medicaid. Moreover, families that acknowledge paternity voluntarily are significantly more likely to remain financially independent nine and fifteen months following the birth of their children. Conversely, those who reject the paternity option are significantly more likely to be recipients of AFDC and to have open cases with the child support enforcement agency. With its higher income eligibility requirements, paternity acknowledgers and disavowers are identical with respect to the receipt of Medicaid.

For cases in the state-run child support system, the voluntary acknowledgement of paternity does not translate into demonstrable financial benefits to the state or the custodial parent at least during the first fifteen months of the baby's life. Although a slightly higher proportion of cases with voluntary acknowledgements have child support orders at fifteen months post-

delivery, payments are rare and occur in only 5 and 6 percent of open child support cases with and without voluntary acknowledgements, respectively.

One possible reason for these slim financial returns is that in the absence of an automated linkage between child support and vital statistics agencies, child support workers frequently fail to learn about in-hospital paternity acknowledgements. As a result, many of these cases are wrongly classified as needing paternity to be established.

That payment levels are identical and low for absent parents with orders who acknowledged and disavowed paternity, suggests that paternity is necessary but not sufficient to obtain payment. Although paternity establishment is a prerequisite to obtaining a child support order with both groups of absent parents, payment is a function of locating and attaching an asset or wage rather than hospital room commitments. Obligors with limited financial resources and/or cases that are worked less aggressively are unlikely to yield big child support returns.

Naturally, since we only had information on cases in the AFDC, Medicaid or child support systems, we cannot speak to the financial impact of voluntary paternity acknowledgement on families outside of these systems. This might include differential rates in dependent health care coverage, veteran's and/or social security benefits, and private child support orders. Finally, our assessment does not consider potential savings versus establishing paternity adversarially due to avoided litigation costs.