

As before, to qualify as an HMO under Medicare, an organization must have at least half of its enrolled membership composed of persons under age 65 and must have an open-enrollment period during which it will accept Medicare beneficiaries to the limits of its capacity in the order in which they apply (with provisions for waivers and exceptions) The HMO premium rate or other charge to Medicare enrollees need not be community-rated but can be based on the actuarial value of the Medicare deductible plus any co-insurance

The new law continues the requirement that the services an HMO must provide to Medicare beneficiaries are those covered under that program's hospital insurance and supplementary medical insurance rather than the "basic health services" defined in the HMO Act The requirement in the Social Security Act that an HMO must provide both primary care and specialty care physicians for its members has been eliminated

Now, in determining the amounts payable to it under a risk-sharing contract with the Secretary of Health, Education, and Welfare, an HMO may include reinsurance costs stemming from any underwriting of catastrophic risks Previously, only reinsurance costs relating to out-of-area services were allowed

Medicaid provisions have been amended to include a definition of HMO's that corresponds to the definition in the HMO Act in all respects except that "basic health services" are defined as referring to mandatory Medicaid services Unless the provision is waived, no more than half the enrollees in an HMO may be covered under Medicare or be recipients of Medicaid

The new law tightens up the provisions for Federal matching payments to States for Medicaid services provided by organizations on a prepaid or capitation at-risk basis No payments will be made unless the organization providing inpatient hospital services, any other mandated Medicaid service, or any three other Medicaid services on a prepaid risk basis has qualified as an HMO Exempted from this requirement are organizations that have received community health center or migrant health service grants of specified amounts and nonprofit rural health care entities that have received specified grants under the Appalachian Regional Development Act The

requirement will not apply to organizations that contracted for the provision of services before 1970

Research Grants Studies

Section 702 of the Social Security Act provides for general research studies relating to the Social Security Administration's areas of responsibility to for-profit and nonprofit organizations Extramural research grants have been awarded under this provision A summary of a completed project (Contract No 74-98) is presented below¹ From time to time, the BULLETIN publishes similar summaries as projects are completed



FORMER WELFARE FAMILIES INDEPENDENCE AND RECURRING DEPENDENCY

This study of 354 New York City families who left the welfare rolls because of changes in their economic circumstances was directed by Anne N Shkuda of the Center for New York City Affairs at the New School for Social Research Data for the study were obtained from personal interviews conducted about 1 month after their welfare cases had been closed About 6 months after the closing date, 300 families were reinterviewed

SAMPLE CHARACTERISTICS

Several characteristics of the families in the study sample distinguish them from the open welfare caseload and provide indications of their relative economic strength Most striking is the presence of two parents among the former welfare recipients 45 percent of the families had

¹For the full report, see Anne N Shkuda, *Former Welfare Families Independence and Recurring Dependency*, New School for Social Research, Center for New York City Affairs, 1976

both a mother and a father, compared with only 14 percent of all families in the open caseload. A smaller proportion of former welfare families have children in the youngest age groups. The mothers and fathers in the former welfare families are clearly better educated than their counterparts in the open caseload and the mothers also have longer work histories than do current recipients.

The implications of these differences are clear. The former welfare families have more freedom from the responsibilities of caring for young children. The adults in the sample are far better equipped to compete for jobs. Most important, more of the families that have left the welfare rolls have the economic advantage of a father present in the home. The families in the study sample are an economically stronger group.

The study data underline the importance of employment and family structure to both dependence and independence. Unemployment and family breakup were the primary reasons for coming on the welfare rolls initially. Conversely, improvements in employment, through new or better jobs, accounted for 48 percent of the reasons given for leaving welfare, and the return of a spouse or a new marriage was cited in 17 percent of the cases. In addition, the study reveals that formation of an intact family was a probable factor in more than 33 percent of the case closings and may, in fact, be a precondition for other positive economic changes.

The receipt of benefits, such as social security or unemployment insurance, accounted for 15 percent of the reasons for case closings, with most resulting from new rather than increased benefits. A large proportion of these families had been on the welfare rolls only a short time, a suggestion that families may turn to a welfare agency before seeking benefits elsewhere or that they may need welfare aid until eligibility for other benefits is established and payments are received. While only 4 percent of the families in the sample left the welfare rolls because they began to receive support payments, the fact that 80 percent of these payments resulted from court orders suggests that financial support from an absent parent is likely to be a factor in case closings only if legal sanctions are invoked.

The study reveals that the newly independent families use a surprisingly low level of food

stamps, Medicaid, and free school lunches but express a high level of interest in such programs. Only 11 percent of the families used food stamps at the time of the first interview. This lack is particularly striking in light of the program's intended usefulness to the working poor. It appears that a large proportion of these families simply were not aware of the possibility of continued eligibility for such benefits when they were no longer receiving welfare payments and that potential sources of income supplementation were not being tapped.

In contrast, unmet needs for other social services are less apparent. Only a small proportion of families reported school problems among children or legal, health, or housekeeping difficulties. This relatively problem-free picture is, of course, the perception of the respondents and may not reflect the true extent of difficulties. It can only be said that such problems did not appear to threaten the continued independence of these families. Of particular interest is the relative unimportance of day care programs to the families. Only 27 percent had children in regular child-care arrangements, typically, these families relied on babysitters or relatives rather than day care or Head Start centers. No evidence was found to show that child-care arrangements presented serious problems for them.

Within 6 months of leaving the welfare program, 17 percent of the families were again receiving public assistance payments. Subsequent interviews with these families underscore the impact of unemployment and family breakup on independence. One-third of the case reopenings resulted from employment problems and 17 percent from the departure of a spouse. Another third of the respondents did not indicate any specific changes in their economic situations—they simply were "not making it."

Comparisons of the dependent and independent families indicate a high degree of correlation between the demographic and family characteristics of the two groups. No evidence exists that any one type or size of family of any particular race or ethnic group is most likely to return to the welfare rolls. The welfare histories of the families are also similar. No specific category of need-related closing appears more likely to be reopened than any other. Analysis of the problems reported by the families indicates that those

who again needed welfare aid had not experienced a disproportionate share of child care, house-keeping, school, or health problems. In short, no evidence was found to indicate that any of the above factors contributes to recurring dependency.

According to the findings, then, the families returning to the welfare rolls experienced greater financial difficulties initially than did the group that remained independent. At the first interview, a greater proportion of the returning families cited financial problems and expressed a need for benefits such as food stamps. They also had an initially weaker economic base—a smaller proportion of families with more than one worker, a smaller proportion with income from both workers and nonwage sources, and a larger proportion with no regular sources of income.

The strongest differences between the two groups of families, however, were in their initial attitudes toward welfare and in self-perceptions of their respective economic status. At the initial interview, those who later returned to the welfare rolls had a much more positive view of welfare and the sufficiency of their income while on welfare. They offered far less favorable assessments of their financial situations after their cases were closed and were less positive about being off the welfare rolls. A far greater proportion of returnees than of those who remained independent had anticipated their return at the first interview. In sum, these findings suggest that economic insecurity contributes to a more favorable view of welfare and that the combined impact of these two factors may be related to recurring dependency.

POLICY IMPLICATIONS

The findings of this study have general social implications as well as specific importance for the planning and administration of public assistance programs. The relatively high educational levels of the mothers and fathers of the former welfare families underscore the importance of education to economic progress. Most significant, the presence of the father appears to be a crucial factor in independence along with the ever-present issue of employment opportunity.

Although none of these concerns are new, their

importance cannot be overemphasized. The availability of jobs clearly affects both the occurrence and recurrence of dependency. Employment must be a priority of national and local economic policy. If economic independence is to be maximized, however, expanded employment must be accompanied by efforts to improve the educational attainment and employment skills of minority youth and young adults.² The need for clearly directed efforts in this area was strongly stated in a recent study conducted by the Conservation of Human Resources Project at Columbia University.

For the younger age groups, who constitute the largest proportion of new accessions to the welfare caseload, the challenge is to establish early a lifetime pattern of self support. The current dysfunction for many youths of the local high school education is reflected in their high unemployment rate even in times of economic expansion. There is a need to forge stronger links between school and employers to prevent the mismatch between skills and employment requirements that characterizes many of the older members of welfare families.³

Finally, interest in the formation or re-formation of intact families must continue since the presence of both parents is a key element of economic strength. Data from the Current Population Survey clearly illustrate this importance. In 1973 the median income for all intact families in New York City was \$12,480, while the figure for families headed by women was only \$5,379. The economic advantage of the stable, intact family and the negative economic impact on women, in particular, of the change from married to unmarried status have also been reconfirmed in the seventh year of a national study conducted by the Institute for Social Research of the University of Michigan. Its authors put the facts simply: "Quantitatively, the family is still the principal income maintenance program."

Although these issues are highly complex, this study points to specific areas where some progress could be made. With respect to employment, the

²The relatively low levels of educational achievement of minority youths and their subsequent disadvantage in the labor market are well documented phenomena. See, for example, James S. Coleman et al., *Equality of Educational Opportunity*, National Center for Educational Statistics, 1966.

³Miriam Ostow and Anna B. Dutka, *Work and Welfare in New York City*, The Johns Hopkins University Press, 1975, pages 80-81.

study has shown that in families that leave the welfare rolls because of new or better jobs the wage earners usually find jobs on their own. Generally, they are neither required to seek work nor assisted in their search by public programs. Thus, it seems that comprehensive efforts to stimulate employment would have a greater impact on welfare case closings than would publicly administered training and placement programs. To the extent that such programs are continued, however, they should focus on those families with maximum potential for independence—that is, families with relatively few young children and with adults with high-school educations or more.

One example of the type of program that could capitalize on the self-motivation evidenced by this most employable group is the Intensive Manpower Services Component currently being developed for WIN registrants. This program is designed to help “job-ready” individuals, or those needing minimum employment services, with their job-searching skills. The program is designed to provide intensive work over a period generally no longer than 6 weeks in techniques for seeking out job openings, making contacts with potential employers, and handling job interviews. This type of program cannot solve the major problem of employing welfare recipients, but it is an approach worthy of consideration.

Encouraging family formation and discouraging family breakup is a particularly difficult area that is not easily influenced directly by public policy. Some progress might be made, however, by equalizing the public assistance payments available for intact families, currently, these payments are well below those available to single-parent families. To the extent that this equalization would encourage families to stay together, payments would be reduced by the addition of the incomes of working fathers. The presence of both parents would also increase the likelihood of the family’s becoming financially independent in the future. This recommendation has been made in numerous studies of the welfare system in New York City and elsewhere. The significance of the intact family revealed in this study reaffirms its importance.

The evidence of the formation or re-formation of intact families that is not explained by the respondents’ stated closing reasons suggests an

additional area of concern to welfare program administrators. To the extent that the apparent discrepancies between welfare category and family structure reflect the unreported presence of spouses, efforts should be made to clarify the eligibility and benefit levels of these families according to current program regulations.

The findings on case closings following the receipt of other benefits suggest that families may turn to welfare before seeking other benefits or until eligibility for these benefits can be established and payments begun. The fact that other benefits accounted for a sizable portion of the closings in the sample—15 percent of the total—indicates that replacing welfare payments with other benefits could have a sizable impact on the total outlay for assistance payments. The New York State Department of Social Services currently attempts to uncover the *unreported* receipt of other benefits, such as unemployment insurance, through the computerized matching of welfare recipients with names on other program rolls. Consideration should be given, however, to placing greater emphasis on *potential* eligibility for such benefits at the time of the initial application for welfare payments. If an applicant appears to be eligible for other benefits, assistance in applying for the benefit should be given and, if necessary, emergency welfare aid should be paid until the other benefit is received.

The receipt of support payments from absent parents accounted for only 4 percent of the closings in this sample. Almost all of these payments resulted from court orders. Apparently legal sanctions must be invoked if support payments are to play an important role in helping families to move off of the welfare rolls.

The creation of the Parent Locator Service within the Department of Health, Education, and Welfare recognizes this necessity. The primary focus of this program, which will attempt to locate parents who have deserted their families and assure payment of legally mandated support payments, will be on the aid to families with dependent children (AFDC) caseload. The Office of Child Support Enforcement of the New York State Department of Social Services is responsible for the State’s effort regarding welfare recipients, and the Bureau of Child Support within the Human Resources Administration is responsible for the program in New York City.

The locator program can have considerable impact on assistance payments, since desertion by a parent is a prime cause of dependency. Efforts should be made to assure adequate staffing of the program, despite the fiscal crisis in the city and State, and to encourage cooperation among the many organizations and agencies involved in the process of effecting support payments. This program should also be carefully monitored and evaluated so that the impact of these efforts can be adequately assessed.

This study has revealed a surprisingly low level of utilization of "in kind" benefits by the newly independent families and their apparent lack of knowledge about possible eligibility after leaving the welfare rolls. The Human Resources Administration recognized this deficiency, and early in 1976 began sending notices to all families whose welfare cases were being closed, informing them that they might be eligible for food stamps and Medicaid if they filed new applications. Such steps to inform potentially eligible families about these benefits must be made, despite State and Federal efforts to reduce the scope of these programs.

The new notices are clearly a step in the right direction but more extensive followup efforts with families whose cases are closed because of changes in need should be considered. Need-related case closings are clearly a minority among all case closings, yet this study has shown that they represent many families that are making efforts to maintain their independence. Because these families can be identified by case closing records, the families could be sent followup letters reminding them of their eligibility for and explaining the value of such benefits as food stamps. These families could also be advised of the availability of counseling and other social services if family problems should arise.

The comparison of the families that were independent 6 months after their cases were closed with those that returned to the welfare rolls reveals a general similarity of characteristics. The small number of families in the dependent group places limits on the conclusions that can be drawn from this comparison. It can at least be said that the characteristics of the families do not provide clues for structuring specific policies to prevent recurring dependency. The factors involved in dependency—unemployment and family

breakup—reappear as important causes of its recurrence.

The individuals who returned as welfare recipients were distinguished, however, by their more favorable attitudes toward welfare and more positive assessments of the relative economic advantages of their welfare status. These views reflect the persistent problem of the potential lack of incentive to maintain independence created by the availability of relatively high welfare payments in conjunction with limited economic opportunity. Job-creation programs and improved employment opportunities for members of minority groups could help in these areas. Both are issues in need of continuing national policy attention.

Copies of the final report of this completed research project are in the Social Security Administration Library, 571 Altmeyer Building, 6401 Security Blvd., Baltimore, Md 21235, and in the Library of the Office of Research and Statistics, Room 320-0, Universal North Building, 1875 Connecticut Ave., NW, Washington, D C 20009. Copies of the report may be obtained through interlibrary loan. (Also in these libraries are copies of more than 50 research grants projects that have been completed since 1963. A list of these projects appeared in the May 1974 BULLETIN.)

Recent Publications*

SOCIAL SECURITY ADMINISTRATION

CHULIS, GEORGE *Medicare Use of Skilled Nursing Facility Services, 1969-73* (Health Insurance Note No 75) Washington: Office of Research and Statistics, 1977. 9 pp.

IRELAN, LOLA M., et al. *Almost 65: Baseline Data from the Retirement History Study* (Office of Research and Statistics, Research Report No 49) Washington: US Govt Print Off., 1976. 165 pp. \$2.40.

MUELLER, MARJORIE SMITH and PIRO, PAULA A. *Independent Health Insurance Plans in 1974* (Research and Statistics Note No 21) Washington: Office of Research and Statistics, 1976. 12 pp.

* Prepared in cooperation with the Office of Research and Statistics Library, Social Security Administration. Orders for items listed should be directed to publishers and booksellers, Federal publications for which prices are listed should be ordered from the Superintendent of Documents, US Government Printing Office, Washington, D C 20402.