

Executive Summary

Over the past two and a half decades in Ohio, more women have entered the labor force, and families have increased their work hours. Yet, job quality has often declined: wages for most workers have been stagnant, health insurance provision by employers has decreased, and Ohio remains nearly 264,000 jobs below its peak employment. The poor performance of Ohio's labor market coincided with the imposition of time limits for cash assistance under the federal Temporary Assistance for Needy Families (TANF) program. These broad trends mean that more women are paying for child care and health care while in low-wage jobs. This paper reviews changes in state child care and health care programs and discusses how such programs can help low-wage parents remain employed.

National studies show that health insurance and child care enable parents in low-wage jobs to remain employed. Of former welfare recipients, those with health insurance are more successful in staying off welfare than those without, according to an Urban Institute study. Working parents who have regular child care arrangements and those who receive help paying for child care are more likely to be employed, keep their jobs longer, and have higher earnings than other parents, according to studies by the Institute for Women's Policy Research, National Bureau of Economic Research, the Economic Policy Institute, and the National Poverty Center.

Like many states, Ohio expanded eligibility and expenditures for Medicaid, child care, and state-funded Head Start in the late 1990s to compensate for reduced cash support and to help low-income families survive on employment income. Recently, state fiscal problems have led to cutbacks in child care and Head Start, and Medicaid may be threatened in the upcoming budget process for state fiscal years (SFY) 2006 and 2007.

Medicaid

As a result of these eligibility changes and the economic downturn, Medicaid caseload and spending jumped in 2001 and 2002. The number of non-disabled children and families who were eligible for Medicaid was approximately 268,000 higher in SFY 2002 than in SFY 1997. Medicaid covers one in three births in Ohio, and one in four children. Despite this, most Medicaid spending is directed to persons who are in the aged, blind, or disabled (ABD) caseload category, even though this group is a minority of total caseload. This is because the medical treatments needed by those in the ABD category are more expensive, on average, than those needed by low-income children and adults.

In the debate over Medicaid, policymakers must recognize that trends toward reduced employer health care coverage are likely to continue, and that the program is a good investment for the state. The federal government pays for almost 60 percent of the cost of treatment for most individuals in the program, and 70 percent of the cost of treatment for children in families with incomes between 100 percent and 200 percent of the poverty line. A recent study estimated that the state would lose \$3.15 in economic activity for each dollar of Medicaid cuts.

Child Care

Child care eligibility was expanded in 1997 and 1998, so that by 2003 state-subsidized child care covered families with incomes up to 185 percent of the poverty level. Over the 1997 to 2003 period, program participation increased by 66 percent and spending increased by 91 percent in real terms. But changes made in June 2003 (effective October 2003) retightened eligibility, lowering income eligibility for continuing care to 165 percent. Also, excessive increases in co-payments made the program more expensive for parents. These changes reduced growth in subsidized childcare spending and participation to four percent in 2003. Lower eligibility ceilings increase turnover and can create perverse incentives for low-income families because small improvements in income can result in losses of large subsidies.

Head Start

Until the current budget biennium, Ohio's state-funded Head Start program was among the largest in the nation in funding and participation. Under former Governor George Voinovich (1991-1999), Head Start spending rose from \$18.4 million to \$181.2 million. By the end of this period, Head Start reached 90 percent of eligible Ohio children, at a time when the program reached just 40 percent of eligible children nationally.

Under the Taft administration, the state-funded part of the program has been severely curtailed. In the current budget biennium, funding shifted from historic use of state General Revenue Fund (GRF) resources to using federal funds from Ohio's TANF block grant. In the late 1990s the program served 22,000 children. The Taft administration created a new all-day program, called Head Start Plus, but provided for only 10,000 slots. Traditional half-day Head Start was reduced to a planned 4,000 slots. In practice, the program fell far short of serving even 14,000 children. Recently, the Ohio Department of Job and Family Services changed program rules to make the program more accessible. Nonetheless, these rule changes did not address unreasonably parental high co-payments for Head Start Plus or lowered income eligibility.

Policy Recommendations

Economic and policy changes are placing enormous stress on low-income families in Ohio. Work supports can help poor parents stay employed. We conclude with three recommendations to bolster such work supports:

1. Provide adequate Medicaid funding to maintain current services and eligibility.
2. Restore eligibility for child care assistance to 185 percent of the federal poverty level and address unreasonably high co-payments.
3. Allocate sufficient funding for Head Start, either through the GRF or TANF, to restore the state-funded portion of the program to previous levels of program participation.

Ohio's low-wage workers are doing their part to become self-sufficient and raise healthy children. With targeted help from Medicaid, child care, and Head Start programs, their prospects for success will be much brighter.