



Fiscal Policy BRIEF

February 17, 1997

The Fiscal Impact of Welfare and Medicaid Reforms

The Indiana Fiscal Policy Institute in early 1994 issued a brief that detailed the rising expenditure growth in state administered welfare programs. Subsequent to the brief, substantive welfare and Medicaid reform measures were implemented. These reform initiatives and the strength of Indiana's economy have produced a decline in Medicaid and most welfare program expenditures. Expenditures for Job Training, AFDC Child Care, and the Social Security Block Grant funds for day care have not declined and were not expected to, since these programs are considered essential to moving families from dependency to self-sufficiency. Child Welfare and Total Administration expenditures also continued to increase during this time period.

The table below tracks the expenditure growth in numerous welfare programs over the last ten years. The expenditure growth of these programs (exclusive of the three grant programs listed at the bottom of the Table) occurred at an average annual rate of 10.1 percent. As illustrated on page 2, welfare expenditures peaked in SFY 1994. Expenditures in SFY 1996 increased by 2.3 percent over SFY 1995 but remained nearly \$700 million below the SFY 1994 expenditures.

During 1996, Congress enacted its own welfare reform legislation, which will result in further changes to Indiana's welfare system. The State is currently determining what changes will be required and how they might be achieved in light of the State's own reforms. Further State legislation is expected. Additional reforms to the Medicaid program may also occur in the near future, due to the high forecasted expenditure growth, which is expected to exceed 9 percent during the upcoming biennium.

The effect of earlier State welfare reforms should become even more apparent during 1997 as some AFDC recipient families reach the two-year time limit for assistance. Efforts to help these families reach self-sufficiency continues, but there remains a great deal of uncertainty regarding what will happen to these families if they reach the two-year time limit.

Total Expenditures for State Administered Welfare Programs											
(Dollars in Millions)											
Program	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	Avg. Annual Change (87-96)
Medicaid	925.9	997.6	1,175.6	1,382.8	1,698.5	2,040.8	2,629.1	3,059.9	2,271.5	2,413.3	11.2%
Food Stamps	207.2	190.2	182.7	213.9	273.4	354.6	398.5	416.6	398.0	334.6	5.5%
Aid to Families with Dependent Children	139.8	166.9	163.0	166.7	185.9	213.2	228.7	231.9	208.7	160.6	1.6%
Child Welfare	44.0	54.6	73.1	85.4	100.8	128.0	162.9	201.3	247.9	264.6	22.1%
Hospital Care for the Indigent	17.9	22.4	38.9	27.7	33.8	32.2	34.1	39.3	11.8	14.6	-2.2%
Job Training	2.1	0.9	0.5	3.7	10.0	10.2	15.3	18.1	20.2	14.8	24.5%
AFDC Child Care	-	-	-	-	1.3	4.6	14.0	26.2	41.6	43.5	101.0%
Children with Special Health Care Needs	12.4	11.8	13.3	12.9	13.4	10.5	11.7	8.2	7.4	10.2	-2.2%
Total Welfare Assistance	1,349.3	1,444.3	1,647.1	1,893.1	2,317.1	2,794.1	3,494.3	4,001.5	3,207.1	3,256.4	10.3%
Other Assistance	17.2	18.8	24.5	26.3	23.0	24.8	21.6	13.1	8.3	10.0	-5.9%
Total Assistance	1,366.4	1,463.1	1,671.6	1,919.4	2,340.0	2,818.9	3,515.9	4,014.5	3,215.4	3,266.3	10.2%
Total Administration	117.2	130.6	121.8	128.5	141.6	159.2	184.5	190.1	218.8	247.1	8.6%
TOTAL	1,483.6	1,593.7	1,793.4	2,047.9	2,481.6	2,978.1	3,700.4	4,204.6	3,434.2	3,513.4	10.1%
Percent Change		7.4%	12.5%	14.2%	21.2%	20.0%	24.3%	13.6%	-18.3%	2.3%	
Housing & Energy Assistance	70.4	62.3	55.6	90.5	68.9	67.6	66.1	71.8	57.3	52.3	-3.2%
Child Care Development Block Grant	-	-	-	-	-	-	6.4	18.4	14.4	20.9	48.5%
Social Security Block Grant	15.8	13.7	15.3	14.7	19.0	18.5	8.4	10.7	15.2	19.5	32.4%

Sources:

- (1) Family and Social Services Administration: Fiscal Years 1992 through 1994 Demographic Trend Reports and Summarized Fund Expenditure Reports.
- (2) Budget Agency: Budget Books for Biennials July 1, 1989 through June 30, 1999.

Notes: All expenditures are net of repayments unless otherwise noted.

Average Annual Change (87-96): This column represents the geometric mean annual percent change in expenditures.

Aid to Families with Dependent Children (AFDC): includes AFDC, AFDC-UP, Grant Diversions, and Burial Assistance.

Child Welfare Wards: includes Foster Care, Adoption Assistance, Medical Assistance for Wards, Child Welfare Assistance, Emergency Assistance, Title IV-B Part II, and related programs.

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Hospital Care for the Indigent (HCI): During SFY 1994, the General Assembly instituted an annual \$35 million transfer of funds from the State HCI fund to the Medicaid program. FSSA's Summarized Fund Expenditure Report included the \$35 million transfer as an HCI expenditure in SFY 1994. In SFY 1995 and SFY 1996, the transfer of \$35 million from HCI to Medicaid is shown as a Medicaid expenditure.

Job Training: includes IMPACT for AFDC and Food Stamp Recipients and the WIN-DEMO expenditures.

AFDC Child Care: includes Guaranteed Child Care, Transitional Child Care, and At-Risk Child Care.

Children with Special Health Care Needs (CSHN): Prior to 1991, CSHN was known as Crippled Children. Effective in 1992, CSHN became a

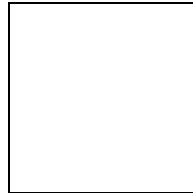
Department of Health Program. Expenditures from 1992 through 1996 are not necessarily net of repayments

Other Assistance: includes Medical Assistance for Inmates and several other small or discontinued

Housing and Energy Assistance: includes grants for Section 8 Housing Assistance, Emergency Shelter, Weatherization Assistance and Training, and the Low Income Heat Energy Assistance Program.

Social Security Block Grant: This grant is divided across several programs. Only the expenditures for

Total Administration Costs: includes federal, state and county expenditures for administrative costs, federal administrative allowance, and indirect costs paid by the federal government



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Indiana Fiscal Policy Institute
251 North Illinois Street, Suite 980
Indianapolis, IN 46204

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