

Senator Cassidy Thinks a Block Grant for Health Care is a Good Idea – That’s Not the Lesson from the TANF Block Grant in Louisiana

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In a statement on the putative virtues of the “Graham-Cassidy-Heller-Johnson” (GCHJ) bill, legislation that would replace the Affordable Care Act with a block grant to states, Senator Bill Cassidy said:

...we heard testimony from Democrat and Republican governors and Medicaid directors who believe that, with increased flexibility and freedom from Washington, DC regulations, they can do a better job of providing coverage for the people of their state. We agree. This amendment gives that flexibility to states while protecting patients and the federal taxpayer.²

The GCHJ legislation is modeled after the 1996 “welfare reform” law which created the Temporary Assistance for Needy Families (TANF) block grant. Senator Cassidy seems unaware of the fact that the TANF experience, particularly in Louisiana, demonstrates that block grants are NOT the way to reform a safety net program. Many states did not use the added flexibility under TANF to build a better safety net or establish work requirements designed to help families prepare for and connect to work. Instead, much of TANF’s innovation is reflected in ways states use TANF dollars to fill budget holes, cut caseloads, and game federal requirements. As Ron Haskins, an architect of the 1996 law recently observed regarding TANF’s record, “States did not uphold their end of the bargain. So, why do something like this again?”³

The TANF Block Grant is Failing the Poor in Louisiana

TANF cash assistance has all but disappeared in Louisiana, even as poverty worsened. Between 1996 and 2015, the number of poor families with children grew from 151,600 to 157,200, as did the number of families with children in deep poverty – from 69,500 to 77,800. Meanwhile, the average monthly number of families receiving cash assistance fell by 92 percent, from 72,700 to 5,600. As a result, the TANF-to-poverty ratio declined from 48 to 4.⁴ Success is reducing caseloads by reducing the need for assistance; Louisiana did not do this.

TANF as a Slush Fund in Louisiana

TANF is not “welfare reform,” but rather a form of revenue sharing. One knowledgeable observer likened it to “giving crack to governors and state legislators.”⁵ Indeed, instead of using the money to advance the goals of “welfare reform,” many states have diverted the funds to supplant existing state expenditures or otherwise fill budget holes.

In 2014, Louisiana spent 9 percent of its TANF and associated maintenance-of-effort (MOE) funds on basic assistance and just 3 percent on work activities.⁶ Louisiana, perhaps more than any other state, illustrates that TANF is not welfare or “welfare reform” – it is just a fixed and flexible funding stream. The Center on Budget and Policy Priorities examined how states spent their TANF and maintenance-of-effort (MOE) dollars; here’s what they found in Louisiana:

In 2014, Louisiana spent some \$145 million, or two-thirds of its state and federal TANF spending, in “other areas.” Most went for child welfare services, early education, and financial aid for college students. Louisiana used TANF funds to supplant state spending or to cover the cost of expansions that otherwise would have required state spending, freeing up the funds for other uses unrelated to the purposes of TANF, including tax cuts.

- Child welfare. Some \$36 million went for child welfare, including child protective investigations and family services. Another \$4.4 million went to providing court-appointed advocates for children placed (or at risk of placement) in foster care.
- Early education. Some \$36 million went to the state’s pre-kindergarten program.
- Financial aid. Some \$27 million went to the Office of Student Financial Aid Assistance for financial aid to students in post-secondary education.
- Other expenditures. Drug courts received \$6 million and substance abuse programs received another \$3 million. Other programs received smaller amounts.⁷

TANF’s Welfare-to-Work Construct has Fallen Apart in Louisiana

Conservatives advocate work requirements for welfare as a way to provide a “hand up” – to help needy families. TANF’s work requirements have proven to be unreasonable, dysfunctional, and not about work. Their main function has been to impose barriers and cut caseloads through a process known as “bureaucratic disentitlement.” Even with sharply reduced caseloads, most states have resorted to loopholes and gimmicks created by the law itself to satisfy federal work requirements.⁸ In Louisiana, work requirements are irrelevant because for all practical purposes TANF cash assistance doesn’t exist. Instead of a “hand up,” the state has pushed needy families aside.

Conclusion

Senator Cassidy cited testimony from governors and Medicaid directors that indicated that “they can do a better job of providing coverage for the people of their state.” He added that he and his co-sponsors “agree.” As a physician, Senator Cassidy surely knows the medical saying, “first, do no harm.” Given the failure of a block grant for welfare in Louisiana (and throughout the nation), he should rethink his support for a bill based on a flawed model. Under the TANF block grant, Louisiana has abandoned many of its most needy families.

And, if states want flexibility, a far better approach is to grant “waivers” that require a rigorous evaluation. That was the approach to “welfare reform” for a decade before TANF. It spawned a myriad of experiments, generally using a random assignment methodology, to ensure credible results. TANF replaced this evidence-based approach with a blank check to states with no meaningful accountability. As a result, there is now little credible evidence to guide policymakers with respect to “welfare reform.” Don’t repeat this mistake with health care.

¹ I am a conservative and have worked on welfare issues for the Heritage Foundation, the American Enterprise Institute, and the White House under both President Reagan and President George H.W. Bush. I am expressing my views as a concerned citizen. This paper assumes the reader has a basic understanding of the TANF program, but for those readers who want more context and background, see Peter Germanis, *TANF is Broken! It's Time to Reform "Welfare Reform" (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available at: <http://mlwiseman.com/wp-content/uploads/2013/09/TANF-is-Broken.072515.pdf>.

² Senator Bill Cassidy, "Senators Introduce Graham-Cassidy-Heller-Johnson, Legislation Block Grants Obamacare Funding to States for Health Care," Press Release, September 13, 2017, available at: <https://www.cassidy.senate.gov/newsroom/press-releases/senators-introduce-graham-cassidy-heller-johnson>.

³ Eduardo Porter, "The Republican Party's Strategy to Ignore Poverty," *The New York Times*, October 27, 2015, available at: <http://www.nytimes.com/2015/10/28/business/economy/a-strategy-to-ignore-poverty.html>.

⁴ All figures from, Center on Budget and Policy Priorities, "Louisiana: TANF Caseload and TANF-to-Poverty Ratio Fact Sheet," March 30, 2017, available at: https://www.cbpp.org/sites/default/files/atoms/files/tanf_trends_la.pdf.

⁵ Kathryn Edin cited in Eliot Huges, "Summit on Poverty takes hard look at forces that create poverty," September 13, 2017, available at: <http://milwaukeeens.org/2017/09/13/summit-on-poverty-takes-hard-look-at-forces-that-create-poverty/>.

⁶ Liz Schott, LaDonna Pavetti, and Ife Floyd, "How States Use Federal and State TANF Funds Under the TANF Block Grant," Center on Budget and Policy Priorities, October 15, 2015, Figures 2 and 3, available at: <http://www.cbpp.org/research/family-income-support/how-states-use-federal-and-state-funds-under-the-tanf-block-grant>.

⁷ Liz Schott, LaDonna Pavetti, and Ife Floyd, "How States Use Federal and State TANF Funds Under the TANF Block Grant," Center on Budget and Policy Priorities, October 15, 2015, available at: <http://www.cbpp.org/research/family-income-support/how-states-use-federal-and-state-funds-under-the-tanf-block-grant>.

⁸ For a detailed discussion of the failure of TANF's work requirements, see: Peter Germanis, "TANF Work Requirements: An Epic Fail," in *TANF is Broken! It's Time to Reform "Welfare Reform" (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available at: <http://mlwiseman.com/wp-content/uploads/2013/09/TANF-is-Broken.072515.pdf>; Peter Germanis "The Failure of TANF Work Requirements: A Much Needed Tutorial for the Heritage Foundation and the American Enterprise Institute," August 12, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2016/05/The-Failure-of-TANF-Work-Requirements-1.pdf>; and Peter Germanis, "The Failure of TANF Work Requirements in 2015: The Need for 'A Much Better Way,'" December 20, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2016/05/The-Failure-of-TANF-Work-Requirements.2015.pdf>.