RESEARCH BRIEF

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Disabled Children in Low-Income Families: Private Costs and Public Consequences

Although disabilities affect children of all income groups, poor children are far more likely to suffer from chronic physical, mental, and emotional conditions that limit their activities, learning, and healthy development. The costs imposed by these disabilities are especially difficult to measure. Parents pay for specialized care, but they also absorb indirect costs in the form of forgone earnings. Taxpayers fund specific services for disabled children, but they also underwrite programs for poor families—such as Medicaid, Temporary Assistance for Needy Families (TANF), and Food Stamps—in which disabled children are disproportionately represented. Because the real costs of these disabilities are difficult to gauge, policymakers lack the information they need to help these families while conserving scarce public resources.

In *Expensive Children in Poor Families: The Intersection of Childhood Disabilities and Welfare*, Marcia K. Meyers, Henry E. Brady, and Eva Y. Seto provide important new estimates of the private costs and public effects of childhood disabilities among welfare recipients. Based on over 2,000 interviews conducted between 1992 and 1996 with household heads in Los Angeles, Alameda, San Joaquin, and San Bernardino Counties, their estimates cover direct expenditures by families and indirect costs from employment reductions. After examining participation rates in public assistance programs, the authors also estimate the likelihood that families with disabled children will exit these programs to independence.

The Private Costs of Care

The authors found that disabilities and chronic illnesses affect a significant share of the welfare population in California. Between 20 and 25 percent of the families had a disabled or ill mother or child, 10 to 12 percent had a disabled child, and 3 to 5 percent cared for children with severe limitations. Mothers reported that about three-quarters of these children had physical impairments and the others had mental, developmental, or emotional disabilities.

Special Expenses: About 45 percent of families reported direct costs in the prior month for specialized childcare, special clothes, special foods, transportation, medicine, or health care for their children. The average cost for these families was $134.

Work Reduction: Families with disabled children also incurred indirect costs in the form of forgone earnings. Mothers with more than one moderately disabled child or with at least one severely disabled child were 20 to 30 percent less likely to have worked in the previous month than mothers with healthier children. The authors estimate that, after controlling for other factors, lower probabilities of employment and reduced work hours associated with the care of a severely disabled child resulted in an average of $80 in forgone earnings per month.

Material Hardships and Poverty: The authors found that financial burdens often led to direct, material hardship for these families. Unless they received federal aid in the form of Supplemental Security Income (SSI), families with disabled children were more likely than other families to be poor or extremely poor, and direct out-of-pocket expenditures pushed between 4 and 12 percent of families with disabled children into extreme poverty. Families with disabled children were also more likely than others to report hunger, housing instability, unpaid bills, and utility shutoffs.

The Public Consequences of Childhood Disabilities

Although most public expenditures on behalf of disabled children fund targeted services, families with disabled children were also more likely to receive nontargeted forms of public assistance. The authors found that these families were much less likely to exit welfare programs than were poor families with only healthy children.

Receipt of Public Assistance: The chances that families received special education services increased with the number of disabled children and the severity of the children's condition. Fewer families overall received community mental health services and California Children's Services, and their likelihood of receiving these services also varied with the intensity of the disability. These same families were also more likely than families with only healthy children to benefit from nontargeted transfer programs for the poor, including welfare, Food Stamps, public housing, and Medicaid.

Remaining on Public Assistance: Families with disabled children had a difficult time leaving the public assistance system entirely. Some left welfare quickly, but their exit was actually a transition to SSI. Families that did not receive SSI appeared to have very long stays on welfare. Even after controlling for other factors that affect welfare spells, the authors found that the presence of a severely disabled child in the family reduced the likelihood that the family would leave welfare by the same amount as a four-year reduction in the educational level of the household head. Likewise, the presence of a disabled child in the family had twice the effect of losing an adult partner.

Public Programs and Private Well-Being

Some government programs, most notably SSI, are designed to help families absorb the private costs associated with disability. The authors therefore investigated whether participation in these programs actually did offset such costs and reduce hardship.

Ameliorating Extra Expenses Through Public Programs: Participation in Medicaid and SSI appeared to defray such costs and lower the risk of hardship. Families with SSI spent more on specialized goods and services for their children than similar families without SSI; this pattern suggests that the program is meeting its original purpose. Families with Medicaid spent less out of pocket on goods and services for their disabled children than families with only private health insurance or none at all. The lower level of direct spending indicates that Medicaid is helping families meet the needs of their children without incurring burdensome private expenses.

Reducing Poverty and Hardship Through Public Programs: Even after controlling for other factors that may affect the risk of hardship, the authors found that the presence of a severely disabled child in the family increased the likelihood by as much as 30 percentage points that it would experience material hardship. For families that received SSI, however, the chances of going hungry, falling behind in their bills, being evicted, or having their utilities shut off were about the same as those of families with only healthy children.

Conclusions

The authors found that families with disabled children face an increased risk of economic hardship for two reasons. Compared to other families, they are more likely to have reduced resources because of their limited availability for paid employment. Moreover, their resources are often used to pay for specialized goods and services related to the child's disability or chronic illness. Public programs can help reduce the risk of economic hardship by increasing the resources available to these families or by offsetting these costs directly. The authors conclude that in either case, public assistance may be an essential part of an income-packaging strategy for families with extraordinary private costs. To force these families to achieve full independence from means-tested programs would risk imposing other forms of hardship on already disadvantaged children. However, the authors also maintain that these families should not be left to languish on the welfare rolls if they can achieve partial independence through employment. They note that government can support this independence by providing employment-related support services and by adopting welfare eligibility rules that permit families to package earnings with continued SSI, welfare, Food Stamp, and health insurance assistance.

This research brief summarizes a report by Marcia K. Meyers, Henry E. Brady, and Eva Y. Seto, Expensive Children in Poor Families: The Intersection of Childhood Disabilities and Welfare *(2000, 138 pp., $12.00, ISBN: 1-58213-055-8). The report may be ordered by phone at (800) 232-5343 [mainland U.S.] or (415) 291-4415 [Canada, Hawaii, overseas]. A copy of the full text is also available on the Internet (www.ppic.org). The Public Policy Institute of California is a private, nonprofit organization dedicated to independent, objective, nonpartisan research on economic, social, and political issues affecting California. This project was supported by PPIC through an Extramural Research Program contract.*

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