

# Poverty Action Report



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Sargent Shriver National Center on Poverty Law

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### *Perspective by John Bouman:* **A Promising Model for Universal Health Coverage**



A universal health care coverage package went into effect earlier this month in Massachusetts (see “Massachusetts’ Groundbreaking Health Care Law,” in this issue).

Gov. Mitt Romney signed the bill with one line-item veto. Both the program and the politics of this deal provide a model to states that are assessing the need for universal coverage.

#### **Promising Program**

The Massachusetts plan is composed of very pragmatic elements. It has government-funded coverage for the poorest people left uninsured by current public programs. This population mostly consists of nonparenting, able-bodied, nonelderly adults. The plan creates large insurance pools so that those in small businesses or buying coverage as individuals can purchase private insurance more economically. For the lower economic ranges, the plan offers publicly funded discounts to make the insurance affordable. The plan mandates that everyone in the state have insurance or else pay a tax penalty to help fund the program. And a free-rider surcharge

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promotes the purchase of coverage by all employers and raise funds to help fund the program from those who do not purchase coverage.

Some of these program elements are in Maine's Dirigo program, in coverage expansion proposals in several states, including the Healthy Illinois proposal, and in other proposals under consideration by the Adequate Health Care Task Force for universal coverage in Illinois. This set of ideas and program features, adapted to particular states' circumstances, seems to be at the core of an effort to secure universal coverage while preserving the current employer-based, market-style system. More or less, it is the last chance to see whether that system can provide universal coverage in a competent affordable way. If it fails, then a much larger role for government in universal coverage is inevitable.

The Massachusetts model is promising in that it meets the need for all sectors to agree to a certain level of change from the current system and it acknowledges the need for a substantial government role. Insurance companies dodge the bullet of single-payer but will get new competition from the government-supported programs that could press their prices down or threaten some sectors of their business. Health care providers will have far fewer instances of "uncompensated care" but will face potential downward rate pressure and a larger role for government insurance supplanting at least some private insurance (which generally pays higher and faster).

Consumers gain coverage but face a mandate to buy insurance with a guarantee that it will be affordable. Taxpayers, including those who already

have insurance, gain relief from the upward pressure on their own insurance rates caused by all the uncompensated care to the uninsured. They gain much-improved public health and the long-term societal benefits and savings associated with it, but they will be asked to support a large part of the program. Businesses gain government help in insuring their workforces but would have faced the free-rider surcharge if they rejected the program.

Governor Romney line-item-vetoed the free-rider surcharge, which would have levied a \$295-per-employee-per-year fee on employers who, with more than 10 people in their workforce, do not offer health insurance to employees. While this fee would have produced \$45 million per year to be used to help fund the program, Governor Romney promised to find the money elsewhere. In vetoing this funding source, he did not scale back the program.

Governor Romney's veto of the free-rider surcharge, while perhaps insignificant in the whole picture of funding the program, is very significant in that it upsets the symmetry of the gains and sacrifices levied on all the sectors. It eliminates the sacrifice required from portions of the business community and adds it to the sacrifices demanded of the taxpayers. Because the program was a painstaking compromise that passed with overwhelming veto-proof majorities in both houses of the Massachusetts legislature, there may be an effort to override the veto.

With or without the veto, if the program is adequately funded and competently administered, it could produce acceptable universal coverage.

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## Promising Politics

Massachusetts came to this outcome because its people demanded it. As in all states, the health system is in crisis, and too many people and businesses cannot afford it. All of the interest groups involved—unions, organized business, hospitals, doctors, other health care providers—appeared willing to try a universal coverage package with a reasonable chance to work. However, as in most states, there was no agreement on the details of a plan that would include some necessary sacrifices, and the situation had all the ingredients of a classic statehouse stalemate.

A widespread and mobilized voting public drove the statehouse players to accomplish much. Health care is a top issue for voters, but mobilizing voters into a political force moves policymakers to break through the usual stalemates and accomplish something. The grassroots organization, Greater Boston Interfaith Organization, together with the health advocacy coalition, Health Care for All, solicited hundreds of thousands of signatures on petitions to have universal health care on a referendum ballot this fall, thus injecting universal health care into the election. The politicians faced having to run on a popular universal health care issue not yet accomplished and risk being positioned as blocking it. Both parties decided to finesse this. Each party controls one of the houses of the legislature, and each chamber passed a version of universal health care this spring. Driven by the intense ongoing public actions and related media pressure, and the continuing threat of the referendum campaign in the fall, the two legislative leaders sat down with the governor and hammered out the compromise.

Illinois has seen the power of health care coverage as a motivating political issue over the last several years. With the Healthy Illinois plan gaining attention in the General Assembly and the Adequate Health Care Task Force scheduled to put a universal health care idea on the table in Springfield in late October of this year, the lessons from Massachusetts are worth noting. ■ *For more information please contact John at [johnbouman@povertylaw.org](mailto:johnbouman@povertylaw.org)*

## Assistance Program Extended for Elderly and Disabled Refugees and Asylees

The Illinois House and Senate each have unanimously approved Senate Bill 2195, which extends for three years until July 1, 2009, Illinois's monthly assistance program for elderly and disabled humanitarian immigrants to the United States. Sen. Carol Ronen (D-Chicago) and Rep. Harry Osterman (D-Chicago) sponsored the legislation. Gov. Rod Blagojevich, who is expected to sign the bill, has included funding for the program in his proposed budget for the 2007 fiscal year.

The Illinois Department of Human Services administers the program as part of its Aid to the Aged, Blind or Disabled (AABD) program. Through this program, created two years ago, approximately 100 elderly and disabled, low-income people who fled persecution in such places as Bosnia, the former Soviet Union, and Somalia receive subsistence support each month while they await their citizenship papers. The monthly AABD grant for participants in this program is \$500, while

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the monthly Supplemental Security Income (SSI) grant is now \$603. This is a strong incentive to become a U.S. citizen and requalify for SSI.

A provision in the 1996 federal welfare reform law makes the AABD program necessary. The law requires elderly and disabled refugees and asylees to become U.S. citizens within seven years or lose their eligibility for SSI, the federal government's program for the indigent elderly and disabled. While most have met this deadline, others, largely due to government delays in processing their citizenship applications over which they have no control, have been unable to meet it. In his past two budgets, President Bush proposed extending the seven-year deadline for these elderly and disabled persons to become U.S. citizens, but Congress has failed to act on his recommendation.

The following organizations endorsed S.B. 2195: Bosnian and Herzegovinian American Community Center; Cambodian Association of Illinois; Chinese Mutual Aid Association; Coalition of Limited English Speaking Elderly; Edgewater Community Council; Health and Disability Advocates; Heartland Alliance for Human Needs and Human Rights; Hebrew Immigrant Aid Society of Chicago; Illinois Coalition for Immigrant and Refugee Rights; Interfaith Refugee Immigration Ministries; Jewish Federation of Metropolitan Chicago; Organization of the NorthEast; Sargent Shriver National Center on Poverty Law; SEIU Illinois Council; Urhai Community Service Center; Vietnamese Association of Illinois; Work, Welfare and Families; World Relief—Chicago; and World Relief—DuPage. ■

Contact Dan Lesser, Sargent Shriver National Center on Poverty Law, [danlesser@povertylaw.org](mailto:danlesser@povertylaw.org), for more information.

## Massachusetts' Groundbreaking Health Care Law

Massachusetts' groundbreaking health care law provides for near universal coverage. The law requires uninsured residents to have health care insurance, expands affordable coverage options, and penalizes employers who do not offer insurance. The state legislature passed the bill on April 4. Gov. Mitt Romney signed it into law on April 12.

### Mandatory Coverage

Massachusetts is the first state to require all of its residents to have health insurance. Uninsured residents must purchase health care coverage by July 1, 2007, or face penalties of about \$150 in the first year and up to \$1,200 in subsequent years. Those who are unable to find affordable coverage may obtain a waiver to avoid a penalty. Hospitals will continue to treat the uninsured.

### Expanded Coverage

To enable the uninsured to afford coverage, the state will expand public programs and work with private insurance companies to offer subsidized plans.

The state's Medicaid program, MassHealth, will cover an estimated 92,500 uninsured people by making more children eligible and enrolling more adults already eligible. Residents below 100 percent of the federal poverty level will be eligible to purchase subsidized policies with no premiums and small copayments, while those between 100 percent and 300 percent of the federal poverty level would

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get state-subsidized coverage with sliding scale premiums through Commonwealth Care. Rates for these policies have yet to be decided; they are estimated to be between \$200 and \$250 a month. This will cover 207,000 more uninsured residents. A provision allowing businesses and individuals to purchase affordable policies with pretax dollars will cover some 215,000 more people.

### Employer Provisions

The bill required companies with 11 or more workers to provide insurance or pay \$295 per year for each employee. This fee would bring in \$45 million a year to help fund the subsidized plans. Governor Romney line-item-vetoed this provision. Legislative leaders critical of his decision are likely to try to override his veto. Employers will be responsible for 10 percent to 100 percent of their uninsured employees' medical bills of over \$50,000. The legislation also encourages employers to cover workers by allowing them to use pretax dollars to purchase insurance.

Governor Romney has been critical of a payroll tax on employers. Whether he will use a line-item veto to eliminate the employer fee, or leave the provision unchanged, is uncertain.

### Funding

The law requires \$125 million in new spending and will cost a total of \$1 billion a year. Funding will come from penalties on the uninsured, \$45 million in employer fees, existing programs, and \$650 million in federal Medicaid funds. Legislators expect 90 percent to 95 percent of the state's 550,000 uninsured to take up coverage in the next three years. ■

## Deficit Reduction Act Has Child-Support Options for States to Meet TANF Work Requirements

No one doubts that child support helps families. The gold standard for child support—support paid regularly and on time while children are children—helps families stay off Temporary Assistance for Needy Families (TANF) and keeps them from returning to TANF after increased earnings from employment or other income enables them to leave it. But, under amendments to federal child-support law included in the Deficit Reduction Act of 2005 (S. 1932), child support paid regularly and on time can also help state TANF programs meet the drastically increased TANF work participation rates set under the Act and thus avoid the severe financial penalties that are imposed on states which fail to meet those rates.

Under federal law before the Deficit Reduction Act, TANF families assigned their right to the child support collected for the time they were on TANF to the government. The state and federal governments could keep the support collected to reimburse the state and federal coffers for the TANF cash benefits paid to the family. A state could, but was not required to, turn over (in child-support parlance, “pass through”) some or all of the support collected to the family. And support passed through came entirely out of the state share of the collection.

The Deficit Reduction Act's amendments to Title IV-D of the Social

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Security Act, the law governing state child-support programs and their interplay with state TANF programs, give the states several options regarding the child support collected for both families receiving TANF benefits and families who formerly received TANF benefits. These options include paying more of the child support collected after a family exits TANF to the family and paying more of the support collected while a family is on TANF to the family.

States should take up the Deficit Reduction Act's option to pass through more of the support collected while a family is on TANF to that family. Taking up the option should be states which are—especially states such as Illinois—in greatest jeopardy of failing to meet work participation rates and being penalized financially for that failure because of the Act's changes in the way the rates are set. The option helps the states meet the higher TANF work participation rates and, by extension, helps families.

Specifically, under the Deficit Reduction Act the federal government waives its share of the child support collected for families on TANF up to \$100 per month for one child and up to \$200 per month for two or more children. (For Illinois, the federal government's share is 50 percent; for poorer states, the federal share goes as high as 80 percent.) In order for the federal government to waive its share of the collected support, states must pass the collected support through the TANF families and disregard the amount passed through in calculating the families' TANF grants. While passing through and disregarding child support would be good for all TANF families—enhancing their income and their stability and encouraging noncustodial parents' payments—states could decide the

specifics of which TANF families would be eligible for the child-support pass-through and disregard based on more immediate state TANF program needs. Some likely options for pass-through to categories of TANF families include

- passing through and disregarding all child support up to the \$100 or \$200 maximum for any family about to be terminated from TANF for earned income; and
- passing through and disregarding all child support up to the \$100 or \$200 maximum for any family whose approved work activities allow the state to count the family toward the state's 50 percent work participation rate.

Such options would not only help the states meet their work participation rates by allowing families counted in the rate to remain on TANF but also increase those families' incomes and help them achieve more financial stability before eventually exiting TANF. States have some time—the new child-support disregard policies go into effect October 1, 2008—to decide how to respond to the child-support options of the Deficit Reduction Act. But the time for states to use child-support payments more wisely in structuring their TANF programs has arrived.

## Chicago Needs More Affordable Housing, Study Finds

Chicago is gaining low-income households much faster than affordable housing, according to a study that the University of Illinois at Chicago's Natalie P. Voorhees Center for Neighborhood

and Community Improvement, the Chicago Rehab Network, Latinos United, and Housing Action Illinois conducted to appraise the current situation and assess what the mismatch may be by 2010.

Their report, “Affordable Housing Conditions and Outlook in Chicago: An Early Warning for Intervention, released last month, is a much more detailed analysis of data than what is ordinarily available for affordable housing. Instead of using summary data from the U.S. Census, which does not account for household size, researchers used Public Use Microdata Sample (PUMS) data. PUMS data are a 5 percent sample of the “raw” census survey data, which allowed the researchers to employ more precise measures of family income and to measure supply and demand in light of the size of the units that families of different sizes need. The results show an extreme lack of affordable housing options for low-income households in the city as 307,185, or nearly 30 percent of those households making less than 80 percent of area median income, are burdened with housing costs.

“The housing stress is extremely acute for households earning less than \$20,000, which is 25 percent of all Chicago households,” said Yittayih Zelalem, codirector of the Voorhees Center. “Seventy-two percent of those households spend more than 30 percent of their gross income for housing.”

The mismatch does not merely reflect an outright shortage of appropriate units. Although 178,030 extremely low-income households are paying more than 30 percent of their gross income for housing or are overcrowded in units smaller than they need, the actual shortage of units appropriate to these families is only

59,621. Households that could afford to pay more are occupying the remaining 118,409 units. Spending less than one could afford to spend on housing is fairly common among households in the moderate-income and high-income ranges. Seventeen percent of families making 81 percent to 120 percent of area median income and 59 percent of families making more than 120 percent of area median income spend less than 30 percent of their income on housing. That higher-income households are occupying the units needed by those of lesser means is particularly troubling in light of current development trends, which target small households with high incomes.

“Building for the high end of the market isn’t working. High income people don’t necessarily want to buy or rent the most expensive units,” said Janet Smith, codirector of the Voorhees Center.

Looking ahead toward 2010, the report’s trend analysis indicates that, as development of those units continues, high-income households will continue to compete with low-income households for lower-priced units. The development of units appropriate for low-income families will continue to fail to keep pace with the development of affordable and suitable housing. The rental market will not meet the demand, and the supply-demand gap can be expected to increase, especially with the potential loss of existing units due to expiring Project-Based Section 8 and Low-Income Housing Tax Credit contracts, the loss of public housing units and the dedicated use of Housing Choice Vouchers for former public housing residents, and condominium conversions.

In light of the magnitude of the mismatch between the supply and demand for low-income housing, the study’s

authors recommend taking action to halt and reverse the current trend: preserve and expand resources for affordable housing at all federal, state, and local levels; protect and preserve affordable rental housing resources and subsidies at risk of being lost; target plans and programs to address the greatest needs, such as extremely low-income rental housing and large family units; expand rental assistance programs at all levels to ease housing cost burdens;

and employ other strategies such as inclusionary zoning, community land trusts, and incentive programs. The full report, with a submarket analysis of the unbalanced development in the city and specific recommendations for submarket areas, is at [www.uic.edu/cuppa/voorheesctr/publications.html](http://www.uic.edu/cuppa/voorheesctr/publications.html). For more information, contact the University of Illinois at Chicago's Natalie P. Voorhees Center for Neighborhood and Community Improvement at 312.996.6336. ■

## **Federal Government Can Do More to Redress Poverty, *Clearinghouse Review* Says**

Federal government programs are key to meeting the complex challenge of poverty head-on. Without such programs, poverty would not have been reduced by half over the past 40 years. Poverty is on the rise, however. The federal government, which can build economic opportunities and help people escape poverty, has instead cut supportive programs for low-income communities.

The upcoming May–June 2006 special issue of *Clearinghouse Review: Journal of Poverty Law and Policy* puts poverty on the national agenda. It articulates innovative and workable solutions to poverty through law and policy. The articles describe what the federal government can do more to redress poverty, examine the lessons learned from early federal antipoverty programs, and demolish the often-heard argument for a small and passive federal government. In a roundtable discussion, leading experts in poverty law exchange views on the essential elements of a strong federal antipoverty policy. Off the press in June, the special issue contributes to the national debate on how to rebuild impoverished communities.

Each year a special issue of *Clearinghouse Review* focuses on a current topic of interest—an emerging legal issue or one cutting across practice areas or one overlooked but needing attention. In 2006, the *Clearinghouse Review's* 40th year of continuous publication, a second special issue, the July–August, will deal with the right to counsel in civil cases. ■

*For more information, contact Ilze Hirsh, Clearinghouse Review editor,  
[ilzehirsh@povertylaw.org](mailto:ilzehirsh@povertylaw.org).*

## H&R Block Is Sued Again, but Its Bank Charter Is Approved

H&R Block Inc. is facing another lawsuit, this time from New York Attorney General Eliot Spitzer, for fraudulent marketing of savings plans to hundreds of thousands of income tax filers. In last month's hearings, Spitzer argued that the company steered clients, many of them low-income, into individual retirement accounts that were "virtually guaranteed to lose money." About 85 percent of the approximately 500,000 people who put money into the Express IRA since 2002 have lost some of it due to high fees and low interest rates, according to Spitzer. The attorney general is seeking to fine the company \$250 million.

Spitzer's case represents one of three lawsuits filed against H&R Block in the past year. Earlier this year, California's Attorney General Bill Lockyer sued H&R Block over its refund anticipation loan business, whose interest rates top 500 percent including fees. H&R Block agreed to pay \$62.5 million to settle four class-action lawsuits on refund anticipation loans in 2005.

Advocates concerned about H&R Block's practices and history also question the Office of Thrift Supervision's recent approval of H&R Block's application to start its own savings bank. OTS stood by its decision, noting that H&R Block has "appropriately addressed those issues" and that the company's "character and responsibility" is consistent with its approval. (For the OTS bank charter approval, see <http://www.ots.treas.gov/docs/6/660007.pdf>.)

*For additional information, contact Ian Gardiner ([iangardiner@povertylaw.org](mailto:iangardiner@povertylaw.org)) or Dory Rand ([doryrand@povertylaw.org](mailto:doryrand@povertylaw.org)) of the Sargent Shriver National Center on Poverty Law. Information for this article came from the British Broadcasting Corporation, the New York Times, and the Chicago Tribune. ■*

### **Children's Savings Accounts: Building Assets for All Illinois Children**

Children's savings accounts can build personal and financial assets for all Illinois children. Michael Sherraden, Ph.D., the Benjamin E. Youngdahl Professor of Social Development at Washington University in St. Louis and "father" of the asset-building movement, will talk about the pioneering research behind and growing support for universal children's savings accounts. The event includes a panel discussion on drawing up a children's savings account policy in Illinois.

**When:** Wednesday, May 3, 2006  
9:00 a.m.–11:00 a.m.

**Where:** Federal Reserve Bank of Chicago, 230 S. LaSalle St. Chicago, IL 60604. The event will be held in the LaSalle Dining Room on the third floor. Guests must present a valid photo ID to enter the Federal Reserve. Coffee and breakfast rolls to be served.

**Primary contact:** Dory Rand.  
312.368.2007.

**RSVP:** Ian Gardiner.  
312.368.1033.

Sponsored by the Illinois Asset Building Group and the Federal Reserve Bank of Chicago

### ***Making Illinois Money Smart: Benefits of a State Office of Financial Education***

How would a state Office of Financial Education make Illinois more money smart? Hilary L. Hunt, director of the Pennsylvania Office of Financial Education, will address the Financial Links for Low-Income People (FLLIP) coalition and Illinois policymakers on how a state Office of Financial Education can make more available and raise the quality of financial education in communities and coordinate financial education activities across state agencies.

**When:** Wednesday, May 3, 2006 11:00 a.m.–1:30 p.m.

**Where:** Federal Reserve Bank of Chicago, 230 S. LaSalle St. Chicago, IL 60604.

The event will be held in the Illinois Room on the third floor. Guests must have a valid photo ID to enter the Federal Reserve. Lunch to be served.

**Primary contact:** Dory Rand. 312.368.2007.

**RSVP:** Ian Gardiner. 312.368.1033.

Sponsored by the Sargent Shriver National Center on Poverty Law, University of Illinois Extension, and Financial Links for Low-Income People (FLLIP)

Comments, letters and general feedback about *Poverty Action Report* should be sent to the editor, Rikeesha Cannon at 312.368.2677 or [rikeeshacannon@povertylaw.org](mailto:rikeeshacannon@povertylaw.org)

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**Sargent Shriver National Center on Poverty Law**  
**50 E. Washington St. Suite 500, Chicago, IL 60602**