



Minnesota Department of Human Services

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# The Diversionary Work Program: Caseload and Cost Impact

The Diversionary Work Program (DWP) is intended to divert applicants for cash assistance from the Minnesota Family Investment Program (MFIP) into work. If successful, DWP should reduce cash assistance caseloads and costs. This study compared actual DWP grant costs and caseload size with the grant costs and caseload size of a comparison group of MFIP cases that would have been eligible for DWP had the program existed at that time. The results show that at the fifth month, when DWP cases are terminated, there is a moderate caseload reduction. However, by the twelfth month, most of the caseload impact disappears. The reduced caseload during the first twelve months results in a savings of approximately \$3.7 million per year.

## BACKGROUND

The 2003 Minnesota Legislature established the Diversionary Work Program (DWP) effective July 1, 2004. DWP is a short-term, work-focused program that provides front-end employment services. The intent of the program is to divert applicants for cash assistance directly to work instead of enrolling them in the Minnesota Family Investment Program (MFIP). (See DHS Bulletins #03-11-01 and #04-69-05 for more program detail.)

If deemed appropriate, a DWP case may be converted to MFIP at any time during or after the four DWP months. DWP is, however, designed to reduce the proportion of new welfare cases that continue to receive cash benefits after their fourth month. Therefore, a fundamental measure of DWP success is the proportion of the DWP caseload that does not receive MFIP cash benefits after leaving DWP. For program management purposes, the success of each DWP case is assessed at the fifth and twelfth months after the start of DWP eligibility.

The fifth and twelfth month DWP outcomes can be readily observed. However, the DWP outcomes, by themselves, do not indicate whether DWP is more successful than MFIP, the program that served all new cash assistance applicants prior to the implementation of DWP.

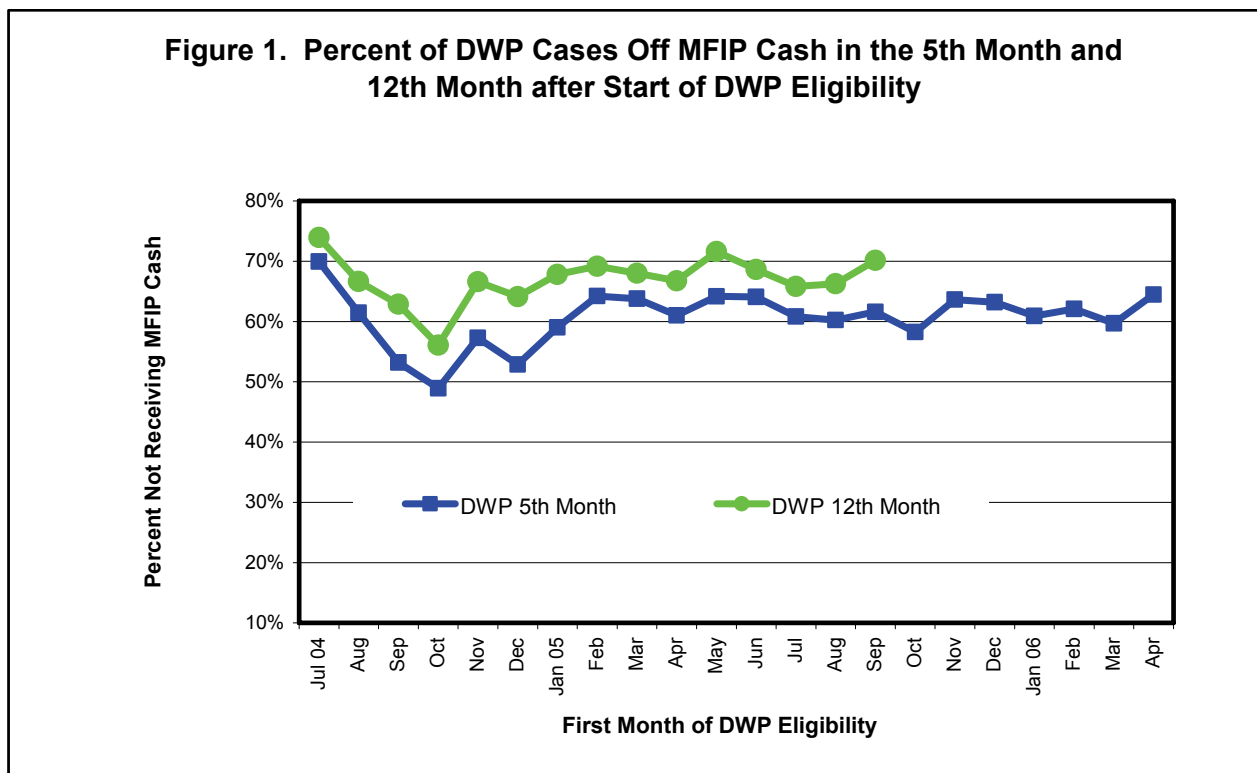
Ideally, a random assignment study, which would control for the effect of economic, demographic, and other changes during the assessment period, would be the method of choice to evaluate the DWP impact. Because DWP was implemented statewide, that method was not an option. In lieu of a random assignment study, the best available alternative was to use a comparison group that simulates a randomly assigned control group.

This issue of Evaluation Notes reports the results of an analysis which compared case life and the receipt of cash assistance benefits for actual DWP cases and MFIP cases which, before the implementation of DWP in July 2004, would have been DWP cases if the program had existed at that time. The comparison group is referred to here as the “pre-DWP comparison group.” (See the Appendix for details of the definition of pre-DWP comparison group cases.)

## RESULTS

### Fifth and Twelfth Month Outcomes by Entering Cohort

DWP Cases. Each vertical pair of data points in Figure 1 represents the percent of cases that were not receiving MFIP cash benefits in the fifth month (black line) and twelfth month (gray line) since their start of eligibility for the cohort of applicants whose first month of eligibility is specified on the horizontal axis of the graph. For example, the two January 2005 data points illustrate that, of the cases that were first eligible for DWP in January 2005, 59.0 percent were not on MFIP cash in the fifth month after their start of eligibility and 67.8 percent were not on MFIP in their twelfth month. (Appendix Table A1 provides the data for this figure.)

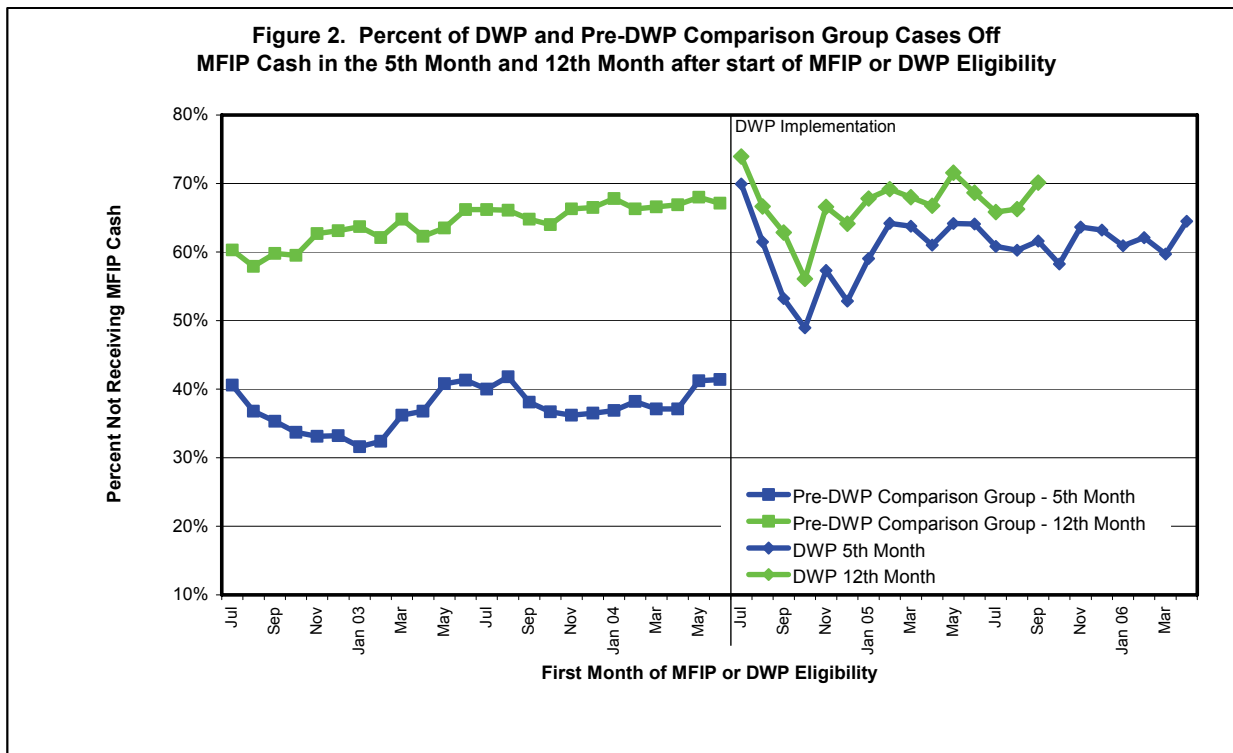


Note that the pattern of exits during the first six months of the DWP program is erratic. These early outcomes probably represent implementation issues rather than program effects. A similar erratic pattern was observed during the early months of the statewide implementation of MFIP. For most purposes, it is probably best to ignore the first six months of data.

By calendar year 2005, the fifth month exit rate for actual DWP cases stabilized at around 62 percent and the twelfth month exit rate closely paralleled the fifth month rate. The average difference between the fifth month exit rate and the twelfth month exit rate for the January 2005 through September 2005 cohorts was 6.8 percentage points.

From a program impact perspective, the question of interest here is, how do the observed DWP exit rates compare to the exit rates for similar assistance cases that did not receive DWP (that is, the pre-DWP comparison group)?

Pre-DWP Comparison Group. As mentioned above, analysis of outcomes for a pre-DWP comparison group provides a way to measure the relative success of DWP. Figure 2 provides the fifth and twelfth month exit rates for the pre-DWP comparison group as well as for the actual DWP group. (Appendix Table A1 provides the data for this figure. Note that the right section of Figure 2 reproduces Figure 1.)

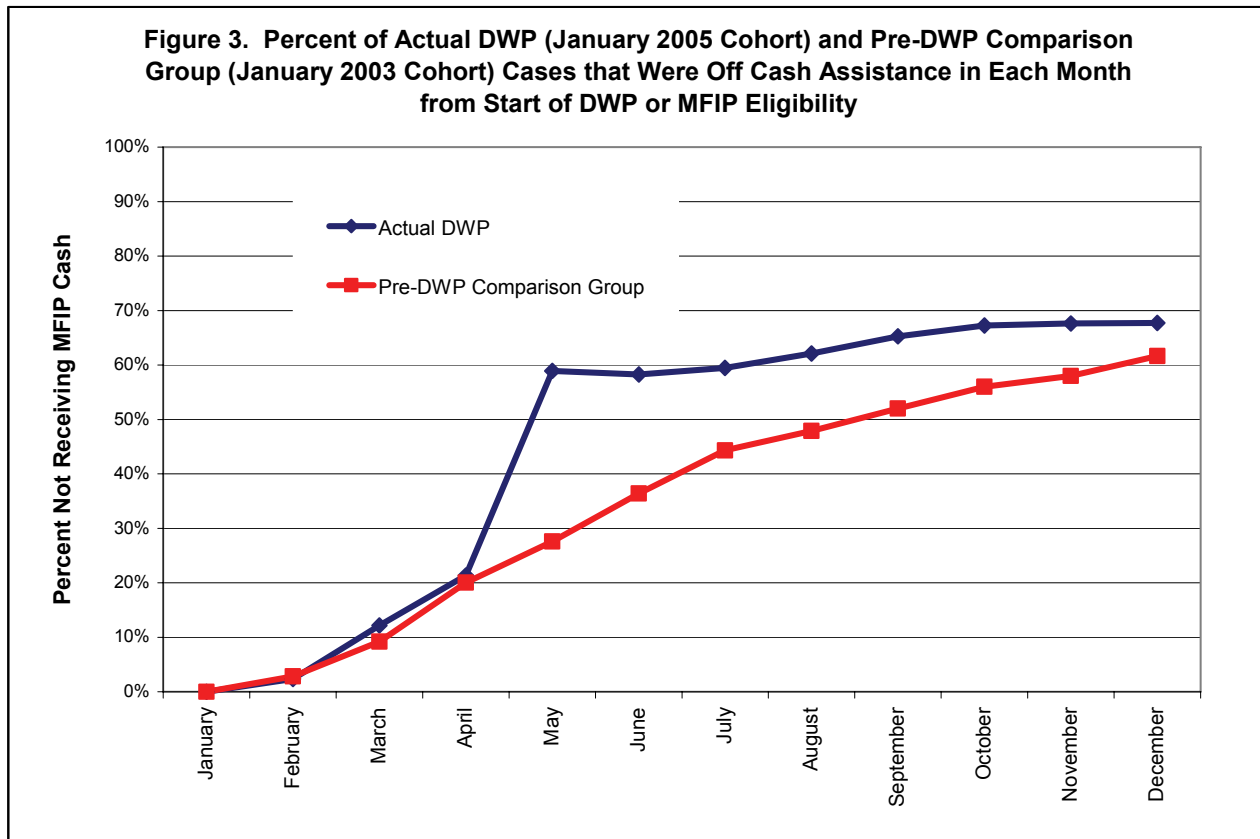


The fifth month exit rate jumped from approximately 40 percent for pre-DWP comparison group in 2003 to around 60 percent for DWP in 2005. While this is a very large increase, recall that, by design, everyone exits DWP at the fifth month and the conversion to MFIP is not automatic. By the twelfth month, the difference in exit rates for actual DWP and the pre-DWP comparison groups almost disappeared, as the next figure shows.

## Individual Cohort Exit Rate Trends

The discussion so far has focused only on the fifth and twelfth month cash assistance status of new DWP cases. A very different perspective is obtained by observing the cash assistance status of DWP cases in each month of a given cohort's first year. The discussion that follows compares the cohort of DWP cases whose first month of eligibility was January 2005 with the pre-DWP comparison group cases whose first month of eligibility was January 2003. January 2005 was chosen because it appears to be the first month in which the outcome data were stable. A similar analysis was conducted for all other months and the trends were almost identical. It was necessary to use January 2003 (rather than January 2004) as the comparison month to allow for a 12 month follow-up period that ended before the start of DWP.

Figure 3 shows the exit rates for the actual DWP group and the pre-DWP comparison group by month over their first year (see Table 1 for corresponding data). A comparison between the actual January 2005 DWP cohort and the pre-DWP January 2003 comparison group cohort shows that the respective exit rate trends were essentially identical for the first four months. At the fifth month, when all DWP cases were terminated, the trends diverged markedly, with the pre-DWP comparison group exit rate gradually increasing and the DWP exit rate jumping in the fifth month. However, by the twelfth month, the actual DWP group and the adjusted pre-DWP comparison group cohorts approached convergence.



Note that, after the large surge in the DWP exit rate at the fifth month, changes in the percent that were off MFIP cash in subsequent months were minimal. Fifty-nine percent of the January 2005 DWP cohort either left DWP or were terminated by May 2005. The percent off MFIP cash dropped very slightly in June and then continued to rise slowly to 68 percent by December 2005.

**Table 1. Percent of Pre-DWP Comparison Group Cases and Actual DWP Cases Off Cash Assistance in Each Month Starting with First Month of MFIP or DWP Eligibility**

<b>Pre-DWP Comparison Group (January 2003 Cohort)</b>			<b>Actual DWP Cases (January 2005 Cohort)</b>		
	<b>Total MFIP Cases</b>	<b>Percent Off MFIP Cash</b>		<b>Total DWP/ MFIP Cases</b>	<b>Percent Off MFIP Cash</b>
<b>January 2003</b>	1,311	0.0%	<b>January 2005</b>	1,059	0.0%
<b>February</b>	1,274	2.8%	<b>February</b>	1,034	2.4%
<b>March</b>	1,190	9.2%	<b>March</b>	930	12.2%
<b>April</b>	1,048	20.1%	<b>April</b>	833	21.3%
<b>May</b>	949	27.6%	<b>May</b>	435	58.9%
<b>June</b>	834	36.4%	<b>June</b>	442	58.3%
<b>July</b>	730	44.3%	<b>July</b>	429	59.5%
<b>August</b>	683	47.9%	<b>August</b>	401	62.1%
<b>September</b>	629	52.0%	<b>September</b>	368	65.3%
<b>October</b>	577	56.0%	<b>October</b>	347	67.2%
<b>November</b>	551	58.0%	<b>November</b>	343	67.6%
<b>December</b>	503	61.6%	<b>December</b>	342	67.7%

For *all* DWP cases from July 2004 to September 2005, once off DWP at the fifth month, relatively few cases moved to MFIP. Table 2 shows that 75 percent of all DWP cases that were off DWP in their fifth month did not receive any MFIP cash during their fifth through twelfth months.

**Table 2. Number of Months Off MFIP Cash during Months 5 through 12 for DWP Cases Off MFIP Cash in the 5th Month after Start of DWP Eligibility (N = 9,139)**

<b>Number of Months Off MFIP cash</b>	<b>Percent</b>
<b>All 8 months</b>	75%
<b>7 or more</b>	79%
<b>6 or more</b>	83%
<b>5 or more</b>	87%
<b>4 or more</b>	91%
<b>3 or more</b>	95%
<b>2 or more</b>	98%
<b>1 or more</b>	100%

## Grant Costs and Savings

We turn now from the effect of the DWP on caseload to its economic impact. On average, the monthly DWP grant per case is higher than the MFIP grant because increases in earned income after the participant applied for DWP are not counted against the DWP grant. At the same time, DWP's four month time limit results in an earlier average exit from cash assistance which should lead to reduced grant expenditures. Therefore, it is unclear whether, relative to MFIP, DWP

should be expected to cost or save money. Fortunately, data from two years of actual program experience make possible a reasonable empirical estimate of the cost or savings relative to MFIP. This is computed in Table 3.

**Table 3. Cash Grant Expenditures for Adjusted Pre-DWP Comparison Group and Actual DWP Cases**

<b>Adjusted Pre-DWP Comparison Group (January 2003 Cohort)</b>				<b>Actual DWP Cases (January 2005 Cohort)</b>				<b>Savings (Comparison Group minus Actual DWP)</b>
<b>Pre-DWP Comparison Cases</b>	<b>Actual Average cash grant per Case</b>	<b>Total MFIP Cost</b>		<b>DWP/ MFIP Cases</b>	<b>Actual Average cash grant per Case</b>	<b>Total DWP/ MFIP Cost</b>		
<b>January 2003</b>	1,059	\$230	\$243,977	<b>January 2005</b>	1,059	\$295	\$312,340	(\$68,363)
<b>February</b>	1,029	402	413,962	<b>February</b>	1,034	399	412,642	1,320
<b>March</b>	961	407	391,604	<b>March</b>	930	416	386,899	4,706
<b>April</b>	847	400	338,646	<b>April</b>	833	424	353,474	(14,828)
<b>May</b>	767	392	300,763	<b>May</b>	435	418	181,985	118,779
<b>June</b>	674	392	263,890	<b>June</b>	442	421	186,063	77,827
<b>July</b>	590	390	230,055	<b>July</b>	429	420	180,036	50,019
<b>August</b>	552	388	213,810	<b>August</b>	401	414	166,067	47,743
<b>September</b>	508	385	195,581	<b>September</b>	368	427	157,125	38,456
<b>October</b>	466	385	179,300	<b>October</b>	347	433	150,377	28,923
<b>November</b>	445	373	165,821	<b>November</b>	343	416	142,811	23,010
<b>December</b>	406	\$369	\$149,917	<b>December</b>	342	\$425	\$145,500	\$4,417
<b>Total</b>			\$3,087,326	<b>Total</b>			\$2,775,319	
<b>Estimated January 2005 cohort savings</b>								\$312,007
<b>Estimated annual DWP savings</b>								\$3,744,085

If this were a random assignment study, we would have simply multiplied the observed number of cases per month by the average cost per case for each group to obtain their respective total monthly costs. The difference in cost between the groups would have been the monthly cost or savings attributable to DWP. In such a study, the initial number of cases in each group would have been equal, by design.

However, due to the caseload decline between 2003 and 2005, the two groups in this study were not equal in size (Table 1). There were 1,311 pre-DWP comparison group cases that received an MFIP cash benefit in January 2003 (out of the 1,387 that were MFIP-eligible) compared to 1,059 DWP cases that received a DWP cash benefit in January 2005 (out of the 1,062 that were DWP-eligible).

To control for the difference in the initial caseload sizes between the two groups, we set the January 2003 pre-DWP comparison group size to 1,059 (Table 3) and used the actual caseload reduction rate (Table 1) and the actual average cost per case for both groups (Table 3).

Table 3 illustrates the computation of the estimated DWP savings. The January 2005 cohort of DWP cases each received an average cash benefit of \$295 in January 2005, for a total January 2005 cost of \$312,340. The adjusted January 2003 caseload of 1,059 each received an average cash benefit of \$230 in January 2003 for an estimated January 2003 total cost of \$243,977. The difference between the costs for the two groups indicates that the cost of DWP, relative to the cost of MFIP, would have been \$68,363 in January 2005. Repeating and summing the same computations for each subsequent month of the first year for both groups shows that DWP produced an estimated savings of \$312,007 for the January 2005 cohort's first year.

Assuming that the subsequent DWP and MFIP monthly cohorts (February through December) would have the same average monthly costs and attrition rates as did the January cohorts, then we can simply multiply the savings attributable to the January 2005 DWP cohort by twelve to estimate the full-year savings attributable to DWP. Doing so yields an estimated annual savings attributable to DWP of \$3.7 million ( $\$312,007 \times 12$ ).

The caseload decline that was already occurring certainly accounted for much of the difference in costs between the DWP group and the pre-DWP comparison group but the adjustment (which eliminated caseload size difference between the groups) may be an overcorrection. It is likely that the four-month nature of DWP, the vendor payments, and the more aggressive job focus served to change the attractiveness of receiving welfare benefits and led to some of the observed decline in caseload. Hence, annual DWP savings are likely to be somewhat higher than the estimated \$3.7 million.

## CONCLUSIONS

Compared to MFIP, the proportion of DWP cases that received cash assistance in their fifth month was dramatically lower. Under MFIP, approximately 40 percent of new applicants left MFIP cash assistance by their fifth month. Under DWP, approximately 60 percent were not receiving MFIP cash benefits in their fifth month. This dramatic increase is, of course, primarily attributable to the simple fact that DWP ends after four months. By the twelfth month the disparity between the actual and pre-DWP comparison group groups moderated.

The mandatory termination of all DWP cases at their fifth month creates the possibility that cases are closed before they reach a degree of self-sufficiency that would warrant termination. If that were true, former DWP cases would re-apply for cash assistance and we would see a drop in the proportion of a given DWP cohort that was not receiving MFIP cash in months six through twelve. In fact, no such decline occurred.

Most DWP cases that exited before their fifth month or were terminated at their fifth month remained off MFIP cash for the duration of their first year, strongly suggesting that the terminated cases were probably cases that would have exited the program within the first twelve months anyway.

While DWP and MFIP offered very different services and had very different rules, the trend in exits from cash assistance for the actual DWP cohort was essentially the same as for the pre-DWP comparison group cohort. This suggests that it is not the nature of the DWP program itself that produced the observed caseload and cost effects. Regardless of services or program requirements, cases closed at almost the same rate. The effective difference between DWP and MFIP appears to be almost entirely attributable to the termination of DWP at the fifth month.

DWP saves money because it is a short-term program. While it is difficult to calculate the precise amount of savings, the savings for a single year are estimated at approximately \$3.7 million.

## **APPENDIX**

### **Pre-DWP comparison group cases were defined as follows.**

The case was active on MFIP in a given month but not in the previous month.

The case was not a child-only case.

The case did not include:

- an eligible caregiver who was eligible for MFIP as an adult within the last 12 months;
- an eligible caregiver who ever had 60 or more state countable months on MFIP;
- an eligible caregiver with an eligible child or a child receiving SSI less than 3 months old;
- an eligible minor caregiver with less than a high school diploma or GED;
- an eligible 18 or 19 year old caregiver without a high school diploma or its equivalent who chose to have an employment plan with an education option; or
- an eligible caregiver who was age 60 or older.

For lack of data, the definition of pre-DWP comparison group cases did not exclude cases that contained an eligible caregiver that was convicted of MFIP fraud. It also did not exclude cases in which the eligible caregiver(s) were "unlikely to benefit" as DWP does.



**Table A1**  
**Percent of Pre-DWP Comparison Group and Actual DWP Cases Off MFIP Cash in the 5th and 12th Months after Start of Eligibility**

<b>First month of eligibility</b>	<b>Pre-DWP Comparison Group Cases</b>			<b>Actual DWP Cases</b>		
	<b>Number of cases in first month of MFIP eligibility</b>	<b>Percent not receiving MFIP cash benefits in 5th month</b>	<b>Percent not receiving MFIP cash benefits in 12th month</b>	<b>Number of cases in first month of DWP eligibility</b>	<b>Percent not receiving MFIP cash benefits in 5th month</b>	<b>Percent not receiving MFIP cash benefits in 12th month</b>
July 02	1,634	40.6%	60.3%			
August	1,536	36.8%	57.9%			
September	1,489	35.3%	59.8%			
October	1,441	33.7%	59.5%			
November	1,283	33.1%	62.7%			
December	1,259	33.2%	63.1%			
January 03	1,387	31.6%	63.7%			
February	1,197	32.4%	62.1%			
March	1,286	36.2%	64.8%			
April	1,303	36.8%	62.3%			
May	1,273	40.8%	63.5%			
June	1,501	41.3%	66.2%			
July	1,502	40.0%	66.2%			
August	1,341	41.8%	66.1%			
September	1,424	38.1%	64.8%			
October	1,343	36.7%	64.0%			
November	1,156	36.2%	66.3%			
December	1,282	36.5%	66.5%			
January 04	1,267	36.9%	67.8%			
February	1,120	38.2%	66.3%			
March	1,317	37.1%	66.6%			
April	1,160	37.1%	66.9%			
May	1,156	41.2%	68.0%			
June	1,269	41.4%	67.1%			
July 04				579	69.9%	73.9%
August				1,098	61.5%	66.7%
September				1,026	53.2%	62.9%
October				1,175	48.9%	56.1%
November				1,000	57.3%	66.6%
December				1,054	52.8%	64.1%
January 05				1,062	59.0%	67.8%
February				743	64.2%	69.2%
March				875	63.8%	68.0%
April				993	61.0%	66.8%
May				915	64.2%	71.6%
June				1,075	64.1%	68.7%
July				1,174	60.8%	65.8%
August				1,278	60.3%	66.3%
September				1,266	61.6%	70.1%
October				1,215	58.3%	
November				1,023	63.6%	
December				1,055	63.2%	
January 06				1,090	60.9%	
February				852	62.1%	
March				998	59.7%	
April				1,070	64.5%	

*Evaluation Notes* is an occasional publication of the Program Assessment and Integrity Division, Minnesota Department of Human Services. This report was prepared by Mark Kleczewski. For questions on this report, please contact him at [mark.kleczewski@state.mn.us](mailto:mark.kleczewski@state.mn.us) or 651-431-3960.