The Impact of Unconditional Cash Transfers on Health Outcomes in Chelsea, Massachusetts

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Sample: 2,880 participants

Intervention type: Cash transfers

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Research Papers: Effect of Cash Benefits on Health Care Utilization and Health: A Randomized Stu...

Partner organization(s): City of Chelsea

During the Covid-19 pandemic, many residents of Chelsea, Massachusetts—a majority Latino/a and immigrant community—faced food insecurity and economic hardship. The City of Chelsea implemented a cash transfer program called Chelsea Eats, which provided eligible households with up to US$400 per month for nine months. Researchers conducted a randomized evaluation on the impact of the unconditional cash transfer on health care utilization and a variety of health outcomes. Those who received the cash transfer had fewer emergency department visits, including those related to behavioral health or substance use, fewer admissions to the hospital from the emergency department, and more outpatient visits to subspecialists than those who did not receive the cash transfer. There were no significant differences in visits to primary care, Covid-19 vaccination, or biomarker measures of health.

Policy issue

In the United States, people with low incomes experience worse health than their higher income counterparts. Immigrant communities can face additional disparities in employment, income, and access to social safety net programming.[1], [2] The Covid-19 pandemic and the subsequent employment and income shocks exacerbated these disparities.[3] Many social safety net programs that helped buffer people from food and financial insecurity during the pandemic—including unemployment insurance, stimulus checks, and the Supplemental Nutrition Assistance Program (SNAP)—were unavailable to undocumented immigrants due to eligibility restrictions.

Income support through cash transfers may improve health outcomes and reduce financial strain, particularly among populations that do not have access to the full set of social safety net resources. A common claim about cash transfers, especially unconditional ones, is that they can increase substance use, thereby decreasing health outcomes. Previous studies of other populations in the United States have found mixed results on the impact cash transfers have on health outcomes. Can unconditional cash transfers improve health outcomes for a low-income, majority Latino/a and immigrant population?

Context of the evaluation

The City of Chelsea was disproportionately affected by Covid-19; by the end of 2020, the city had the highest cumulative incidence rate in Massachusetts. The city's workforce was also concentrated in sectors that were shut down due to the pandemic (e.g., service industries and factories),[4] and many in the community's large immigrant population were not eligible for unemployment insurance or stimulus checks.

To address the growing rates of food insecurity in Chelsea, the city ran a financial support program for residents called Chelsea Eats. The program distributed debit cards with up to US$400 dollars given each month to eligible individuals via a lottery. The cash amount depended on an individual's household size: a household of one, two, or more than three people would receive US$200, US$300, or US$400 respectively. Residents were eligible to apply for the program if they resided in Chelsea and their family income was below thirty percent of the Boston area median income. The cards could be used anywhere that accepted Visa. The program ran from November 2020 to July 2021.

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Details of the intervention

Because applications outnumbered the capacity of the program, the program used a lottery to randomly select who would receive the funds. Only one person per family was permitted to enter the lottery, but they could receive additional lottery tickets if they met specific criteria: they had a child, they had an older adult in the family, they were a veteran or disabled, no one was working in the family, they were ineligible for food assistance programs, or they were not receiving unemployment benefits. Via lottery among 2,880 applicants, 1,746 were selected to receive the cash transfer. The 1,134 who were not selected formed the comparison group.

The primary outcome of the study was emergency department visits. As secondary outcomes, researchers investigated four types of emergency department visits. These included: 1) emergency department visits resulting in hospital admission, 2) visits related to behavioral health (including mental health and substance use disorders), 3) visits related to substance use disorders, and 4) visits that were avoidable (i.e., pertaining a health concern that could have been treated outside of the emergency department

setting). Researchers included outpatient visits, Covid-19 vaccinations, and biomarkers such as blood pressure, body weight, hemoglobin, and cholesterol as additional outcome variables. The study used health record data from three major health systems to measure these outcomes.

Results and policy lessons

After the nine-month study period, results showed that those who received the cash transfer made significantly fewer emergency department visits overall relative to the comparison group. Those who received the cash transfer made fewer emergency department visits that led to a hospital admission and fewer visits related to behavioral health or substance use. There were no significant differences in total outpatient visits nor in other health outcomes measured, however outpatient visits to subspecialists were higher among those who received the cash transfer compared to those that did not.

Emergency department visits

Those who received the cash transfer had 217.1 emergency department (ED) visits per 1,000 people while the comparison group had 317.5 visits per 1,000 people, or an adjusted difference of 87.0 fewer visits per 1,000 people (a relative decrease of 27 percent). The cash transfer group had 21.6 fewer ED visits related to behavioral health (a 62 percent decrease), 12.8 fewer visits related to substance use (an 87 percent decrease), and 27.3 fewer visits that resulted in hospital admission (a 42 percent decrease). There was no statistically significant impact on potentially avoidable emergency department visits.

Outpatient use

The cash transfer did not significantly impact the total number of outpatient visits. However, there was an increase of 303.1 subspeciality visits per 1,000 persons for the cash transfer group (a 21 percent increase from a baseline of 1,424.8 subspeciality visits for the comparison group). This effect was larger for those without a car and for visits to clinics further from Chelsea.

Other health outcomes

There was no significant impact on Covid-19 vaccination rates, nor the measured biomarkers of blood pressure, body weight, hemoglobin, and cholesterol.

Overall, the reduction in emergency department visits for those who received the cash transfer may indicate that policies that provide income support can have important benefits for health in the United States. In addition, the study found fewer emergency department visits related to substance use in the cash transfer group, contradicting prior studies and common beliefs that cash transfers will increase substance use and raise alcohol- or substance-related morbidity and mortality. Although the cash transfer did not change utilization of primary care or Covid-19 vaccination rates, which were readily accessible in Chelsea, it increased use of outpatient subspecialty care; the cash transfer may have helped pay for the indirect and direct costs associated with accessing this less accessible form of care. By decreasing the demand for more expensive acute care relative to outpatient care, cash benefits also have the potential to be cost saving to the health care system.

Use of results:

While the need for this particular intervention in Chelsea dissipated once the economy recovered from the Covid-19 shutdowns, its perceived success led Chelsea to run another cash transfer program providing three months of benefits to 2000 residents starting in January 2023 with the aim of assisting low-income residents with energy costs during winter months.

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3. Borjas, George J., and Hugh Cassidy. 2020. “The Adverse Effect of the COVID-19 Labor Market Shock on Immigrant Employment.” Working Paper. Working Paper Series. National Bureau of Economic Research. https://doi.org/10.3386/w27243.

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