Children's Hospital of Philadelphia PolicyLab

Cash Transfers and Healthy Birth Outcomes: Promising New Evidence and What's Next

Health Equity

Date Posted:

Oct 07, 2025

During the COVID-19 public health emergency in 2021, the federal government expanded the Child Tax Credit, increasing families' access to financial resources at a time of national economic stress. The expanded Child Tax Credit (eCTC) served as a natural experiment, allowing researchers to investigate the impact of a time-limited cash transfer program on child and family health and well-being.

The 2021 eCTC built on the prior Child Tax Credit in three critical ways:

1. It increased the overall credit amount
2. It allowed families to receive 6 monthly payments rather than a single annual lump sum
3. It expanded eligibility to very low-income households who earned too little to pay federal income taxes

These unconditional credits did not have associated work requirements (like Earned Income Tax Credits) and were available to a wide range of lower and higher-income families. The eCTC was also designed to minimize administrative barriers. Funds were automatically transferred to all families who had filed 2019 or 2020 tax returns, and families who had not filed taxes were offered multiple avenues to apply for and access the credit.

Early evidence found that many families spent eCTC payments on essentials, like food, housing, and goods and services for their children, while others used the funds to pay debts, build savings and make investments. The eCTC was associated with decreased food insufficiency, improved mental health among low-income parents, and fewer reports of child abuse and neglect. A prior PolicyLab study found that food insufficiency increased after monthly eCTC payments ended in December 2021.

Our new PolicyLab research finds eCTC payments to be associated with small improvements in birth outcomes, particularly among low-income and Medicaid-insured families. As we look to move the needle on poor birth outcomes, and in particular socioeconomic disparities in these outcomes, these results suggest that tax credits or other forms of unconditional cash during pregnancy offer one important strategy for policymakers to consider.

Cash Transfers and Child Health Outcomes: Prior Evidence

Cash transfer programs, including tax credits like the eCTC, are economic interventions that have shown some promise for promoting health. Our PolicyLab faculty have depicted the causal pathways by which nondirected cash transfers—which both provide recipients with financial resources and allow them the agency and autonomy to spend these resources at their discretion—might improve child health and well-being.

Yet the structure and delivery of these interventions requires further investigation. The current state of evidence is mixed. This likely reflects both the complicated nature of observational research on economic policies as well as the reality of unanswered questions on the effectiveness of nondirected cash policies. Specifically, whether cash given during pregnancy can reduce infant morbidity and prevent adverse birth outcomes—for whom and under what circumstances.

New Evidence Shows that Cash During Pregnancy Improves Infant Health

Using Pennsylvania birth certificate data, our team demonstrated that Medicaid-insured pregnant people who likely received eCTC payments during pregnancy had significantly lower rates of preterm birth (5% lower rate), low birthweight (6% lower rate) and very low birthweight (16% lower rate), as compared to those who did not receive these payments. We found similar results for pregnant people with private insurance, who also experienced reductions in preterm birth, low birthweight and very low birthweight when receiving eCTC payments.

Given that these improvements in birth outcomes were present regardless of insurance status, nondirected cash transfers may represent a strategy for improving infant health outcomes across a wide range of families. Recognizing their positive impact on low-income families specifically, unconditional and nondirected cash transfers may be tools for mitigating health inequities among those at greatest risk.

The Importance of Policies that Address Resource Needs in Pregnancy

Our research demonstrated that receiving monthly eCTC payments during pregnancy improved families' odds of healthy births. However, by design, the Child Tax Credit targets families who already have children.

Our research shows that the mechanism of nondirected cash during—rather than just after—pregnancy improves birth outcomes. Exploring policy mechanisms that could bring unconditional cash to pregnant people, regardless of whether a child is already in the home, could improve birth outcomes for more infants.

Evidence on tax credits and other cash transfers must also be contextualized within the broader policy landscape. In particular, it is important to understand how these programs may interact with other public investments in evidence-based interventions targeting improvements in birth outcomes, like Maternal, Infant, and Early Childhood Home Visiting (MIECHV) and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

In addition, our study examined the effects of the eCTC during the COVID-19 pandemic, a time of significant economic and social stress across the country. Future studies could assess whether the association between cash transfers during pregnancy and improved birth outcomes persists outside of the pandemic context.

Future research on the impact of unconditional cash transfers on infant health outcomes should also evaluate the ideal payment amount, timing, and mechanism for delivering cash transfer payments during pregnancy, to inform the design of evidence-based interventions that improve maternal and child health.