



THE ECONOMIC BENEFITS AND IMPLICATIONS OF INSURING ALL UTAH CHILDREN

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Abstract

In 2019, Utah had 82,000 uninsured children which means 8.3% of children in Utah did not have health insurance that year. This data ranks Utah in the bottom 10 for children with insurance, 46th among the 50 states.¹

Most of these uninsured Utah children were White, but the uninsured rate among the one-sixth of Utah's children who are Hispanic was double the state average at 17%, which put Utah tied for last in the nation for insuring Latino children and in 37th place for insuring non-Hispanic White children.²

Public debate often focuses on the cost to the taxpayers of insuring those 82,000 uninsured children. *But what about the cost of not insuring these children?* Are there ways in which Utah taxpayers are already paying a price for allowing such a high uninsured rate and such a wide gap between majority and minority children?

This report builds on the findings of other research to explore the ways in which Utah taxpayers are paying millions of dollars in costs annually for uninsured children, in two ways:

- 1) Uncompensated care for Utah's 82,000 uninsured children may be costing state and local governments in Utah about \$11 million annually.**
- 2) Utah's high rate of uninsured children is one reason why Utah lags behind the national high school graduation rate after adjusting for demographics. Covering all of Utah's uninsured children could result in higher educational attainment levels, potentially adding nearly \$10 million to Utah personal income annually and generating over \$800,000 in new tax revenue each year.**

We hope these findings will be considered by policymakers as they examine proposals to cover Utah's uninsured children. Those proposals have costs, but the status quo may be costing us a lot already. Our failure to act is not only holding back 82,000 children from achieving their potential, but also back our state's economy from achieving its full potential.

¹ Georgetown Center for Children and Families: <https://kidshealthcarereport.ccf.georgetown.edu/states/utah>

² Kids Count Data Center: <http://datacenter.kidscount.org>

Utah's Expensive Problem: 82,000 Uninsured Children

According to the Census Bureau's most recent data from the annual American Community Survey (ACS), Utah had 82,000 uninsured children in 2019. This means that 8.3% of children in Utah did not have health insurance that year, ranking Utah among the worst five states, in 46th place.³

While most of these uninsured Utah children were White, the uninsured rate among the one-sixth of Utah's children who are Hispanic was double the state average at 17%. This put Utah tied for last in the nation for insuring Latino children (compared to 37th place for insuring non-Hispanic White children).⁴

The high number of uninsured children is also a national problem. The US achieved a historic low of 4.7% of children uninsured in 2016. Since then, that figure has been rising every year, reaching 5.7% in 2019, representing 726,000 more children without health insurance.⁵ The uninsurance rate is likely to have increased in 2020, due to the COVID-19 pandemic and recession; those data are expected to be released this September.

Utah's number of uninsured children also hit its low in 2016, when studies found that there were 59,000 uninsured children in Utah. In the three years following, there has been a 39% increase in uninsured children to 82,000 in 2019.⁵

The High Cost of Uninsurance I: Uncompensated Care and Its Impact on Utah State and Local Governments

Uncompensated care is care provided by doctors, hospitals, and other providers for which they are never paid. The cost of this care ends up getting billed to patients with insurance in the form of higher rates for all the care they receive. Since nearly half of all health care spending is public (mostly through Medicare and Medicaid), a substantial share of the cost of uncompensated care falls on taxpayers.⁶

How much does uncompensated care cost state and local governments in Utah for each uninsured child? To answer this question, we begin by looking at how the 2013-2015 drop in Utah's uninsured reduced uncompensated care.

Based on data from the Medicaid and CHIP Payment and Access Commission (MACPAC), the Center on Budget and Policy Priorities found that from 2013 to 2015, Utah saw an \$88 million drop in uncompensated hospital care costs while the state's uninsured rate fell by 25% during that same time period.⁷

³ Georgetown Center for Children and Families: <https://kidshealthcareport.ccf.georgetown.edu/states/utah>

⁴ Kids Count Data Center: <http://datacenter.kidscount.org>

⁵ Children's Uninsured Rate Rises by Largest Annual Jump in More Than a Decade. (2020).

https://ccf.georgetown.edu/wp-content/uploads/2020/10/ACS-Uninsured-Kids-2020_10-06-edit-3.pdf

⁶ <https://www.statista.com/statistics/283221/per-capita-health-expenditure-by-country/>

⁷ Schubel, J., & Broaddus, M. (2018). Uncompensated care costs fell in nearly every state as ACA's major coverage provisions took effect. <https://www.cbpp.org/research/health/uncompensated-care-costs-fell-in-nearly-every-state-as-acas-major-coverage>

Year	Number of uninsured Utahns
2013	402,000 ⁸
2015	311,000 ⁹
Change:	91,000

Thus, the reduction in uninsured of 91,000 Utahns was associated with a reduction in uncompensated care of \$88 million. That works out to \$967 less uncompensated care for each additional insured person.

This implies that a reduction of 82,000 uninsured people would yield about \$79 million less uncompensated hospital care. But since we know that children consume roughly half as much health care compared to the average person, we can divide this figure in half -- around \$40 million less in uncompensated care costs.¹⁰

How much of this projected \$40 million annual reduction in uncompensated care from covering all of Utah's uninsured children would accrue to the benefit of state and local government in Utah?

The Institute of Medicine of the National Academy of Sciences has found that "state and local governmental support for uncompensated hospital care is estimated at" 28% of total uncompensated hospital care costs.^{11,12}

Using this percentage, we estimate the share of state and local government responsibility for uncompensated care costs -- 28% of \$40 million is \$11 million. **Thus, Utah state and local governments could save an estimated \$11 million by covering our 82,000 uninsured children.**

We should also keep in mind that this estimate is likely an understatement of the benefit of insuring uninsured children because uncompensated care provided outside of hospital settings has not been accounted for in the estimate.

The High Cost of Uninsurance II: More Uninsured Children Means Lower Educational Attainment, Personal Incomes, and Tax Revenues

⁸ Health insurance coverage in the United States: 2013.

<https://www.census.gov/library/publications/2014/demo/p60-250.html>

⁹ Health insurance coverage in the United States: 2015.

<https://www.census.gov/library/publications/2016/demo/p60-257.html>

¹⁰ <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet>

¹¹ Institute of Medicine (US National Academy of Sciences) Committee on the Consequences of Uninsurance. (2003). Hidden Costs, Values Lost: Uninsurance in America: Spending on health care for uninsured Americans: How much, and who pays? <https://www.ncbi.nlm.nih.gov/books/NBK221653/#ddd00050>

¹² [TABLE 3.5. Sources of Funding Available for Free Care to the Uninsured, 2001 \(\\$ billions\) - Hidden Costs, Values Lost - NCBI Bookshelf \(nih.gov\)](https://www.ncbi.nlm.nih.gov/books/NBK221653/table/ttt00006/?report=objectonly)
<https://www.ncbi.nlm.nih.gov/books/NBK221653/table/ttt00006/?report=objectonly>

The immediate benefits of having more children with health insurance seems intuitive, with the result being better health for children, as shown by ample academic research. But research has also found economic benefits of children having health coverage. Children with health insurance are more likely to graduate high school and college, earn higher wages, and generate greater amounts of tax revenue for state and local governments.¹³

How much additional personal income and tax revenue could result from covering Utah’s 82,000 uninsured children?

Academic research published in 2014 by a team of Harvard and Cornell University scholars found that a 10 percentage point increase in public insurance eligibility “reduces high school non-completion by 0.38 of a percentage point, increases college enrollment by 0.30 of a percentage point, and increases BA attainment by 0.61 of a percentage point.”¹⁴

These findings apply nearly perfectly to an expansion of insurance to Utah’s 82,000 uninsured children. Other research has found that “nearly 94 percent of eligible children participated in Medicaid or CHIP in 2016,”¹⁵ meaning that a 10 percentage point increase in public insurance eligibility results in a 9.4 percentage point increase in actual insurance coverage. Expanding insurance coverage to Utah’s 82,000 uninsured children would amount to a virtually identical 9.7% increase in health insurance coverage among Utah’s total child population of 931,000 in 2019.

Thus, the implication of the 2014 Harvard/Cornell study is that expansion of health insurance to Utah’s 82,000 uninsured children would result in Utah seeing a high school graduation rate increase of 0.38 percentage points, college enrollment increase of 0.30 percentage points, and BA attainment increase of 0.61 percentage points.

What are the actual Utah numbers for those educational attainment metrics, and what would be the predicted potential outcomes?

	High school graduation¹⁶	College enrollment¹⁷	BA/BS attainment¹⁸
Actual percent and number	2020: 88.2% of 49,195 = 43,390 graduates	71% within 10 years after high school graduation = 30,807	2019 Census ACS Age 25-34: 35.0% = 165,186/10 = 16,519 [total cohort = 471,960/10 = 47,196]
Predicted change if all children insured	+0.38 percentage points	+0.30%	+0.61 percentage points

¹³ <https://www.commonwealthfund.org/publications/issue-briefs/2020/dec/short-term-cuts-medicaid-long-term-harm>

¹⁴ Cohodes, S., Grossman, D., Kleiner, S., & Lovenheim, M. (2014). The effect of child health insurance access on schooling: Evidence from public insurance expansions. <https://www.nber.org/papers/w20178> pages 23-24

¹⁵ <https://www.cbpp.org/research/health/frequently-asked-questions-about-medicaid>

¹⁶ Superintendent’s Report: <https://www.schools.utah.gov/file/e4223c68-b712-4563-92f1-0e81df8c2614>

¹⁷ Utah System of Higher Education <https://ushe.edu/what-percentage-of-utah-high-school-graduates-go-to-college/> and <https://files.eric.ed.gov/fulltext/ED601910.pdf>

¹⁸ Census ACS:

<https://data.census.gov/cedsci/table?q=utah%20educational%20attainment%20by%20age&tid=ACSST1Y2019.S1501&hidePreview=true>

Predicted outcome if all children insured	88.58% = 43,577	71.3% = 30,937	35.61% = 16,806
Difference from actual each year	187 additional high school graduates	130 additional starting college	287 additional college grads

How much of a difference would it make to Utah personal income and tax revenue each year to have an additional 187 high school graduates, an additional 130 starting college, and an additional 287 college graduates (BA/BS+)?

According to the U.S. Census Bureau's 2020 Annual Social and Economic Supplement data for 2019, average earnings rise with additional educational attainment, as illustrated with national data in the chart below:¹⁹

¹⁹ PINC-03. Educational Attainment--People 25 Years Old and Over, by Total Money Earnings in 2016, Work Experience in 2019, Age, Race, Hispanic Origin, and Sex. <https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pinc/pinc-03.html>

	Overall average	Less than 9th Grade	High school		College						
			9th to 12th nongrad	Graduate (incl GED)	Some college no degree	Assoc-iate's degree	Bachelor's degree or more				
							Total	Bachelor's degree	Master's degree	Professional degree	Doctorate degree
Mean earnings (dollars)	\$63,265	\$29,937	\$33,930	\$42,326	\$50,467	\$50,882	\$87,754	\$75,816	\$93,582	\$153,270	\$140,848
The relevant wage differentials compared to next level below:				\$8,396	\$8,141			\$25,349			

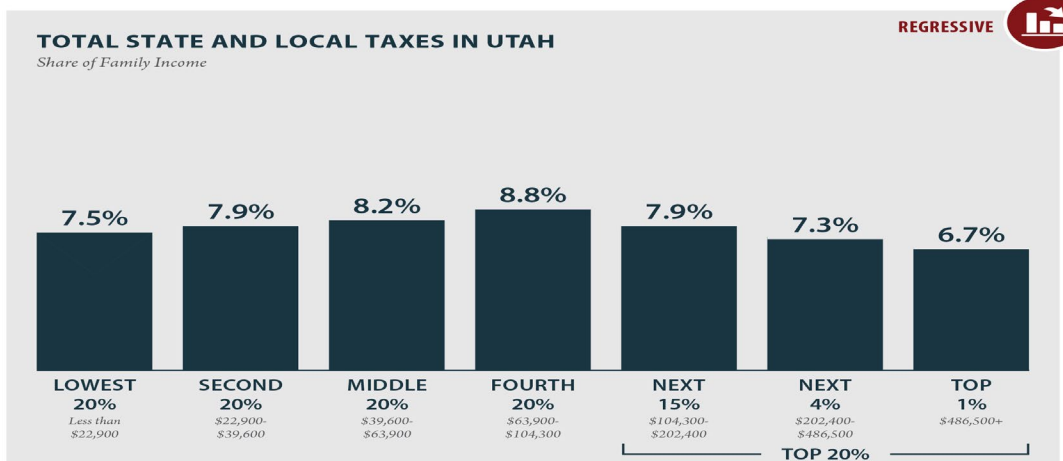
Based on these wage differentials due to additional educational attainment, we can quantify how much additional personal income and tax revenue would result from covering Utah's 82,000 uninsured children:

Additional educational attainment	187 additional high school graduates	130 additional starting college	287 additional college grads BA/BS+	
Wage differential	\$8,396	\$8,141	\$25,349	
Additional personal income	\$1,570,052	\$1,058,330	\$7,275,163	\$9,903,545 Total Utah additional personal income

How much additional tax revenue would result from an additional \$9,903,545 of Utah personal income?

We can apply Utah's median-income overall tax rate of 8.2% (counting all state and local taxes, based on ITEP's Who Pays report²⁰) to calculate how much additional tax revenue would reach Utah state and local government, as illustrated in the chart below:

²⁰ Institute on Taxation and Economic Policy. (2018). Utah: Who Pays? 6th edition. Retrieved from <https://itep.org/whopays/utah/>



$$\$9,903,545 \times 8.2\% = \$812,091 \text{ of new tax revenue}$$

Thus, covering all of Utah’s 82,000 uninsured children could result in an estimated increase of \$800,000 of tax revenue annually for Utah state and local government.

It should be noted that these are conservative estimates that assume, for example, that none of the new Bachelor’s degree holders go on to attain graduate or professional degrees. In addition, we are not counting the finding that, “Relative to individuals who complete high school, the average high school dropout costs the economy approximately \$272,000 over his or her lifetime in terms of lower tax contributions, higher reliance on Medicaid and Medicare, higher rates of criminal activity, and higher reliance on welfare.”²¹

$$\$272,000 * 187 = \$50,864,000 \text{ in dependency costs avoided by higher education attainment}$$

Conclusion

The annual cost to Utah state government of covering Utah’s 82,000 uninsured could amount to \$59 million, assuming they are all eligible for Medicaid/CHIP. Our finding in this report is that the real cost of covering Utah’s uninsured children is considerably lower when one considers the millions of dollars that Utah would save by avoiding paying for uncompensated care for uninsured children and the additional tax revenues that would be generated when these children grow up due to the higher educational attainment rates.

²¹ National Center for Education Statistics. (2020). Trends in high school dropout and completion rates in the United States. <https://nces.ed.gov/programs/dropout/intro.asp>

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