

smart MONEY



*Covering Pennsylvania's Uninsured Kids Will Save
Health Systems and Taxpayers \$724 Million*

JANUARY 2025
Children First

Executive Summary

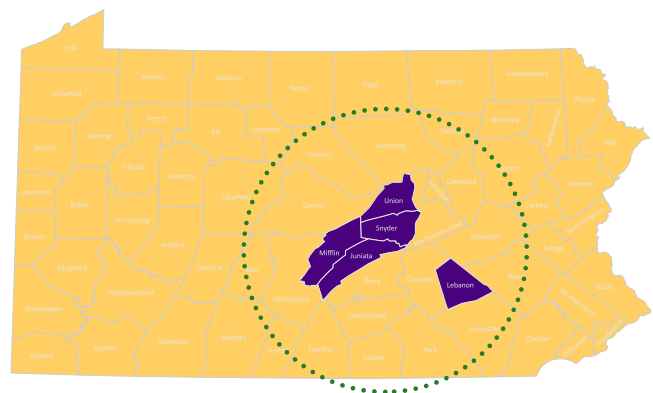
Nearly 145,000 children in Pennsylvania are not covered by any sort of health insurance.

As a result, Pennsylvania now ranks 5th in the nation for uninsured children according to Pennsylvania Partnership for Children. To put that number of children in context, Pennsylvania now has as many uninsured children as the total population of the cities of Harrisburg and Scranton combined.

PA ranks 5th in nation for uninsured children

Rural counties in Pennsylvania have higher rates of uninsured children than urban counties. For instance, Pennsylvania's five counties with the highest child uninsured rates are Juniata, Lebanon, Mifflin, Snyder, and Union based on data from Pennsylvania Partnerships for Children.

Public debate regarding meeting the needs of children too often focuses on the cost to taxpayers of insuring Pennsylvania's uninsured children.



But what about the cost of not insuring nearly 145,000 children?

Are there ways in which Pennsylvania taxpayers are already paying a price for allowing such a high uninsured rate and coverage disparities?

Policymakers who are charged with being responsive to the expectations of taxpayers and ensuring public funds are both reducing waste and making a difference, must recognize that a rising number of uninsured children are placing an increasing burden on taxpayers. Failure to make sure every child is insured is putting a burden on hospitals, especially those in rural regions of the state, adding an undue tax burden on all state taxpayers and undermining our state's economy, meanwhile and most urgently, holding back 145,000 children from achieving their full potential.

Pennsylvania taxpayers are covering hundreds of millions of dollars in costs annually for uninsured children:

- Care for approximately 9,800 uninsured children accounted for \$772 million in costs borne by hospitals across the state; that's 40% of all hospital costs associated with uninsured patients.
- The Commonwealth Medicaid program paid hospitals \$966 million for uncompensated care payments in FY 22. Of that, \$386 million are the charges for uncompensated care for uninsured children based on PHC4 data.
- Covering all of Pennsylvania's uninsured children would likely result in higher educational attainment levels, potentially adding over \$15 million to Pennsylvania's personal income annually and generating over \$1.65 million in new tax revenue each year.

The share of children uninsured increased from 4.4% in 2021 to 5.2% in 2023 boosting the number of children without coverage to well over 145,000. As a result, Pennsylvania now ranks 5th in the nation for number of uninsured children according to the Pennsylvania Partnerships for Children.

In addition to what the Census data indicates, it does not account for the resumption of the requirement that individuals on Medicaid and CHIP must renew their eligibility every six months since the end of the Pandemic. That policy change caused **approximately 29,000 children to lose Medicaid coverage since April 2023** based on the data from the state Department of Human Services. Some or all of these children may also be uninsured, however, there is no firm data to confirm their insurance status.

It is important to note that **the number of children known to be uninsured in Pennsylvania is larger than the total populations of Harrisburg and Scranton combined.** Children's health insurance coverage rates vary greatly across geographic, racial, and ethnic lines. Rural counties have higher rates of uninsured children than urban counties. For instance, **Pennsylvania's five counties with the highest uninsured rates for children are Juniata, Lebanon, Mifflin, Snyder, and Union** based on data from Pennsylvania Partnerships for Children¹.

Uncompensated Care & Its Impact on Pennsylvania State and Local Government

Uncompensated care is care provided by doctors, hospitals, and other health care providers for which they are never paid. Health care providers take on substantial cost in caring for the uninsured. These costs are offset by several different funding streams, financed largely through federal, state, and local funds. These are state and local public funds that could be used elsewhere instead of going towards paying for the cost of uncompensated care.

How Much Does Uncompensated Care Cost State & Local Governments in Pennsylvania for Each Uninsured Child?

Hospitals report to the Pennsylvania Health Care Cost Containment Council (PHC4) that in 2022 nearly \$722 million in hospital charges for in-patient and outpatient services are associated with the more than 9,800 uninsured children. Were the Commonwealth to reform its system and provide the more than 145,000 uninsured children with coverage, it could eliminate a significant portion of this burden on hospitals.

To offset the burden to hospitals of caring for the uninsured, \$996 million of Medicaid funds were distributed to hospitals via what are called Disproportionate Share Payments to hospitals for uncompensated care costs.²

To make these payments, the state disbursed federal Medicaid and state matching funds. For this sort of payment, the federal government covers 58% of the costs³ and the state pays the balance. Approximately \$386 million was paid to health care systems to cover the uncompensated care charges for uninsured children.

It is important to note that the estimates of uncompensated care may be underestimated. These estimates do not include the cost of uncompensated care outside hospital networks. Nor do they account for children newly uninsured due to Medicaid unwinding.⁴ Nevertheless, these estimates highlight the large burden that uncompensated care places on both Pennsylvania's budget and taxpayers.

² Medicaid Disproportionate Share Hospital (DSH) Payments | Medicaid

³ Chapter-4-Annual-Analysis-of-Medicaid-DSH-Allotments-to-States.pdf (macpac.gov)

⁴ From the Medicaid unwinding, there are a speculated 29,000 additional children who may not have coverage. This number is not included in the uninsured estimate.

More Insured Children Means Higher Educational Attainment, Personal Incomes, & Tax Revenues


A significant body of research has demonstrated that when children have health insurance, they have better immediate and long-term health outcomes. Research has also found educational and 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.

How much additional personal income and tax revenue could result from covering Pennsylvania's 145,000 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."

These findings can be applied to estimate the possible impact of an increase of insurance coverage to Pennsylvania's 145,000 uninsured children. Expanding insurance coverage to Pennsylvania's 145,000 uninsured children could amount to a 5.5% increase in health insurance coverage among Pennsylvania's total child population of 2,622,158 in 2022.

This increase of 5.5% is comparable to the 10% increase in the 2014 Harvard/Cornell study cited above and therefore could produce similar projected increases in educational attainment.



If similar projections are applied, the implication of the 2014 Harvard-Cornell study is that expansion of health insurance to Pennsylvania's 145,000 uninsured children could potentially result in Pennsylvania seeing:

- A high school graduation rate increase of 0.21 percentage points.
- College enrollment increase of 0.17 percentage points.
- Bachelor's degree (BA, BS) attainment increase of 0.34 percentage points.

305

additional
high school
graduates

246

additional
students starting
college

493

additional
college
graduates

These gains would translate to 305 additional high school graduates, 246 additional students starting college, and 493 additional college graduates.

How much of a difference would it make to Pennsylvanians' personal income and tax revenue each year to have an additional 305 high school graduates, 246 students starting college, and 493 college graduates?

According to the U.S. Census Bureau's 2020 Annual Social and Economic Supplement data for 2019, average earnings rise with additional educational attainment. (See *Appendix for national data on average earnings and educational attainment*).

Based on estimated wage differentials due to additional educational attainment, we can quantify how much additional personal income and tax revenue would result from covering Pennsylvania's 145,000 uninsured children. **Covering all Pennsylvania children would result in boosting personal income by more than \$15 million a year.**

How much additional tax revenue would result from an additional \$15 million of Pennsylvania personal income?

We can apply Pennsylvania's Personal Income Tax rate of 3.07% to calculate how much additional tax revenue would reach Pennsylvania state and local government.

Multiplying anticipated additional income by the median-overall tax rate of 11% would result in \$1.65M in new additional tax revenue.

It should be noted that these are conservative estimates that assume none of the new bachelor's degree holders go on to attain graduate or professional degrees.

Nor does this analysis reflect the likelihood that individuals who do not complete high school may have higher enrollment in public assistance as adults.

Thus, covering all of Pennsylvania's 145,000 uninsured children could result in a future increase of \$1.65 million of tax revenue annually for Pennsylvania state and local government.

Conclusion

Pennsylvania is spending at least \$386 million for hospital system care for uninsured children. And losing out on \$1.65 million in additional tax revenues that would be generated by making sure every child is insured.

Our findings in this report highlight the millions of dollars that Pennsylvania spends on uncompensated care for uninsured children and the potential future revenue from additional taxes that would be generated when Pennsylvania children are able to reach their true academic and economic potential.

Useful resources: Spending on Health Care for Uninsured Americans: How Much, and Who Pays? - Hidden Costs, Values Lost- NCBI Bookshelf (nih.gov)

<https://www.aha.org/system/files/media/file/2020/01/2020-Uncompensated-Care-Fact-Sheet.pdf>



**Insure
Every
Child**