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SMART MONEY:

Covering Utah's Uninsured Kids Will Save Us More than \$9 Million



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ACKNOWLEDGEMENTS

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EXECUTIVE SUMMARY

According to the most recent Census data, Utah has 82,000 uninsured children, which means an estimated 8.3% of children in Utah do not have health insurance. Utah currently ranks 46th in the nation for insured children. [1]

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. [2] Non-White Utah children are more likely to be uninsured than White children. The uninsured rate among the one-sixth of Utah's children who are of Hispanic or Latino origin is almost double the state average at 14.6%. [3]

Public debate often focuses on the cost to taxpayers of insuring Utah's 82,000 uninsured children.

But what about the cost of not insuring children?

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

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 \$8.8 million annually.

2 Covering all of Utah's uninsured children would likely result in higher educational attainment levels, potentially adding nearly \$10 million to Utah's personal income annually and generating over \$800,000 in new tax revenue each year. Utah's high rate of uninsured children is one reason why Utah lags behind the national high school graduation rate after adjusting for demographics.

We hope policymakers will consider these findings as they examine proposals to cover Utah's uninsured children. These proposals have costs, but the status quo is costing us even more. Our failure to act is undermining our state's economy and holding back 82,000 children from achieving their full potential.

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

[2] KIDS COUNT analysis of five-year estimates of U.S. American Community Survey (ACS) data. Table B27001.

Children defined as under age 19. <https://www.utahchildren.org/kidscount>

[3] Getting Back on Track: A detailed look at Health Coverage Trends for Latino Children. (2021).

<https://ccf.georgetown.edu/2021/06/08/health-coverage-trends-for-latino-children/>

SMART MONEY:

Covering Utah's Uninsured Kids Will Save Us More than \$9 Million

According to the most recent data from the U.S. Census Bureau's annual American Community Survey, Utah has 82,000 uninsured children. This means that 8.3% of children in Utah do not have health insurance, ranking Utah in 46th place among the 50 states. [4]

The rate of uninsured children varies greatly across geographic, racial, and ethnic lines in Utah. Rural counties had higher uninsured rates than urban counties. [5] While most of the uninsured Utah children are non-Hispanic White, the uninsured rate among the one-sixth of Utah's children who are Hispanic or Latino nearly double the state average 14.6%. [6]

The United States achieved a historic low of 4.7% of children uninsured in 2016. But since then, that figure has been rising every year, reaching 5.7% in 2019, representing 726,000 more children without health insurance in the U.S. [3]

During this time, Utah experienced one of the steepest increases in the number of uninsured children in the nation. Between 2016-2019, Utah saw a 39% increase in the number of uninsured children, representing the third largest increase in the nation. [7] Health Insurance data for 2020 is not yet available.

UNCOMPENSATED CARE AND ITS IMPACT ON UTAH STATE AND LOCAL GOVERNMENTS

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. However, their costs are significantly offset by several different funding streams, financed largely through public federal, state and local funds. [8]

These state and local public funds that could be used elsewhere instead go toward paying for the cost of uncompensated care.

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

[5] KIDS COUNT analysis of five-year estimates of U.S. American Community Survey (ACS) data. Table B27001. Children defined as under age 19. <https://www.utahchildren.org/kidscount>

[6] Getting Back on Track: A detailed look at Health Coverage Trends for Latino Children. (2021). <https://ccf.georgetown.edu/2021/06/08/health-coverage-trends-for-latino-children/>

[7] 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

[8] Kaiser Family Foundation: Sources of Payment for Uncompensated Care for the Uninsured (2021). <https://www.kff.org/uninsured/issue-brief/sources-of-payment-for-uncompensated-care-for-the-uninsured/>



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 2017- 2018 increase in Utah’s uninsured rate affected uncompensated care. Based on 2017-2018 data from the Medicaid and CHIP Payment and Access Commission (MACPAC), when the state’s uninsured rate increased by 5.3%, Utah saw a \$10 million increase in hospital uncompensated care costs. [9]

Table 1: Increase in Utahns’ Uninsured Rate 2017-2018

Year	Number of uninsured Utahns
2017	282,000 [10]
2018	295,000 [11]
Increase	13,000

Thus, the increase in uninsured of 13,000 Utahns was associated with an increase in uncompensated care of \$10 million. That works out to \$769 more in uncompensated care for each additional uninsured person.

But previous research indicates that children consume roughly half as much health care compared to the average person. Therefore, we can divide this figure in half, or approximately \$385 more in uncompensated care for each additional uninsured child. This implies that a reduction of 82,000 uninsured children would yield about \$32 million less uncompensated hospital care. [12]

How much of this projected \$32 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?

A recent Kaiser Family Foundation report found that state and local governments pay for 28% of total uncompensated hospital care costs. [13]

Using this percentage, we estimate the share of state and local government responsibility for Utah’s uncompensated care costs: 28% of \$32 million is \$8.8 million.

Thus, Utah state and local governments could save an estimated \$8.8 million annually by covering our 82,000 uninsured children.



[9] MACPAC: Report to Congress on Medicaid and CHIP (2021). <https://www.macpac.gov/wp-content/uploads/2021/03/March-2021-Report-to-Congress-on-Medicaid-and-CHIP.pdf>

[10] Health insurance coverage in the United States: 2017. <https://www.census.gov/library/publications/2018/demo/p60-264.html>

[11] Health insurance coverage in the United States: 2018. <https://www.census.gov/library/publications/2019/demo/p60-267.html>

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

[13] Kaiser Family Foundation: Sources of Payment for Uncompensated Care for the Uninsured (2021) <https://www.kff.org/uninsured/issue-brief/sources-of-payment-for-uncompensated-care-for-the-uninsured/>



It is important to note that the estimates of uncompensated care may be underestimated. The Kaiser Family Foundation study estimates only hospital uncompensated care and does not include the cost of uncompensated care outside hospital settings. Nevertheless, these estimates highlight the large burden that uncompensated care places on both Utah’s budget and taxpayers.

MORE INSURED CHILDREN MEANS HIGHER EDUCATIONAL ATTAINMENT, PERSONAL INCOMES, AND TAX REVENUES

A significant body of research has demonstrated that when children have health insurance, they have better immediate and long-term health outcomes. [14] 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. [15]

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.” [16]

These findings can be applied to estimate the possible impact of an increase of insurance coverage to Utah’s 82,000 uninsured children. Expanding insurance coverage to Utah’s 82,000 uninsured children could amount to a 9.7% increase in health insurance coverage among Utah’s total child population of 931,000 in 2019.

This increase of 9.7% is very similar to the 10% increase in the 2014 Harvard/Cornell study cited above and therefore could produce similar projected increases in educational attainment.

[14] See: Thompson, O. (2017). The long-term health impacts of Medicaid and CHIP. *Journal of health economics*, 51, 26-40 https://www.sciencedirect.com/science/article/pii/S0167629616305136?casa_token=50S3_scZDPgAAAAA:Yb12HNq_uh_UiX9VdSj7mPOERzx_bN73qM3sfv2sSakNBjSv2qCvmtkLJzmWe9ggO6F1wtZjUDLc
 [15] <https://www.commonwealthfund.org/publications/issue-briefs/2020/dec/short-term-cuts-medicaid-long-term-harm>
 [16] 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



If similar projections are applied, the implication of the 2014 Harvard-Cornell study is that expansion of health insurance to Utah's 82,000 uninsured children could potentially result in Utah seeing:

This would translate to 187 additional high school graduates, 130 additional students starting college, and 287 additional college graduates (Table 2).

- A high school graduation rate increase of 0.38 percentage points
- College enrollment increase of 0.30 percentage points
- Bachelor's degree (BA, BS) attainment increase of 0.61 percentage points.

Table 2: Predicted Educational Attainment if All Utah Children Have Coverage

	HIGH SCHOOL GRADUATION [17]	COLLEGE ENROLLMENT [18]	BA/BS ATTAINMENT [19]
ACTUAL PERCENT AND NUMBER	88.2% of 49,195 = 43,390 graduates	71% enroll within 10 years after high school graduation = 30,807 each year	35% or 16,519 Utahns complete a Bachelor's degree annually
PREDICTED CHANGE IF ALL CHILDREN INSURED	+0.38 percentage points	+0.30%	+0.61 percentage points
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 graduates

Note: Figures are based on the most recent estimates for Utah graduation rates, college enrollment, and Bachelor's degree attainment. Bachelor's degree attainment data for individuals between the ages of 25-34, from American Community Survey data.

[17] Superintendent's Report: <https://www.schools.utah.gov/file/e4223c68-b712-4563-92f1-0e81df8c2614>

[18] 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>

[19] Census ACS: [https://data.census.gov/cedsci/table?](https://data.census.gov/cedsci/table?q=utah%20educational%20attainment%20by%20age&tid=ACSS1Y2019.S1501&hidePreview=true)

<https://data.census.gov/cedsci/table?q=utah%20educational%20attainment%20by%20age&tid=ACSS1Y2019.S1501&hidePreview=true>



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?

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). [20]

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 Utah’s 82,000 uninsured children. Covering all Utah children would result in greater cumulative personal income in the amount of \$9,903,545. (Table 3).

Table 3: Additional Income if All Utah Children Have Coverage

ADDITIONAL EDUCATIONAL ATTAINMENT	187 additional high school graduates	130 additional students starting college	287 additional college graduates (Bachelor's degree)	
ADDITIONAL EARNINGS BECAUSE OF EDUCATIONAL ATTAINMENT (INDIVIDUAL)	\$8,396	\$8,141	\$25,349	
ADDITIONAL PERSONAL INCOME (CUMULATIVE)	\$1,570,052	\$1,058,330	\$7,275,163	\$9,903,545 Total income

[20] 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>



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

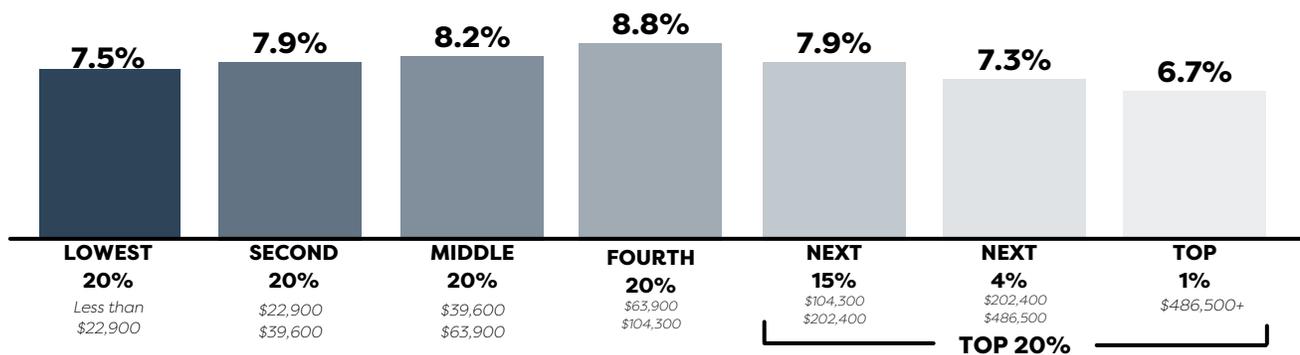
We can apply Utah’s median-income overall tax rate of 8.2% (counting all state and local taxes) [21] to calculate how much additional tax revenue would reach Utah state and local government.

Multiplying anticipated additional income by the median-overall tax rate would result in \$812,091 in new additional tax revenue.

It should be noted that these are conservative estimates that assume that 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. [22]

Figure 4: Total State and Local Taxes in Utah



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

Thus, covering all of Utah’s 82,000 uninsured children could result in a future increase of \$812,091 of tax revenue annually for Utah state and local government.



[21] Institute on Taxation and Economic Policy. (2018). Utah: Who Pays? 6th edition. Retrieved from <https://itep.org/whopays/utah/>
[22] 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> The National Center for Education Statistics estimates that "the average high school dropout costs the economy approximately \$272,000 over his or her lifetime in terms of lower tax contributions" and higher reliance on public assistance programs.

CONCLUSION

Utah is losing out on approximately \$9.6 million every year by not ensuring all children have access to health coverage.

During the 2021 Utah Legislative Session, state legislators considered several proposals that would bring down Utah's high uninsured rate, including removing barriers to Medicaid and CHIP coverage and investing in outreach.

It is imperative that the state adopt such proposals.

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

We can no longer afford to ignore the social and fiscal costs to our state when thousands of children are uninsured and the enormous savings when children have coverage.



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APPENDIX

NATIONAL DATA ON AVERAGE EARNINGS AND EDUCATIONAL ATTAINMENT

	Overall average	Less than 9th grade	9th to 12th non graduate	Graduate (includes GED)	Some college no degree	Bachelor's degree
Mean earnings (dollars)	\$63,265	\$29,937	\$33,930	\$42,326	\$50,467	\$75,816
The relevant wage differentials compared to next level below:			\$3,993	\$8,396	\$8,141	\$25,349

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>