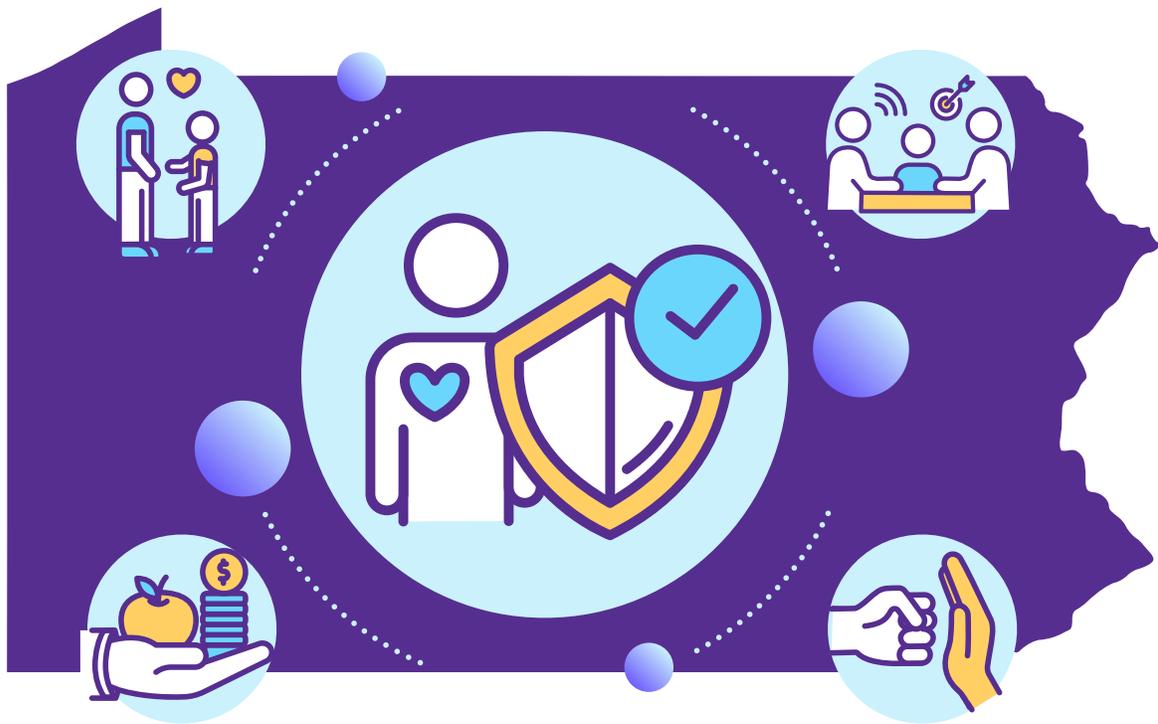


SMART MONEY



**Covering Pennsylvania's Uninsured
Kids Will Save Health Systems
and Taxpayers Millions**

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

As a result, Pennsylvania now ranks 46th in the nation for insuring children.

Pennsylvania taxpayers are paying 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 for adults and children paid hospitals \$966 million for uncompensated care payments in FY22. \$386 million of that are charges for uncompensated care for uninsured children.¹

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.

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?

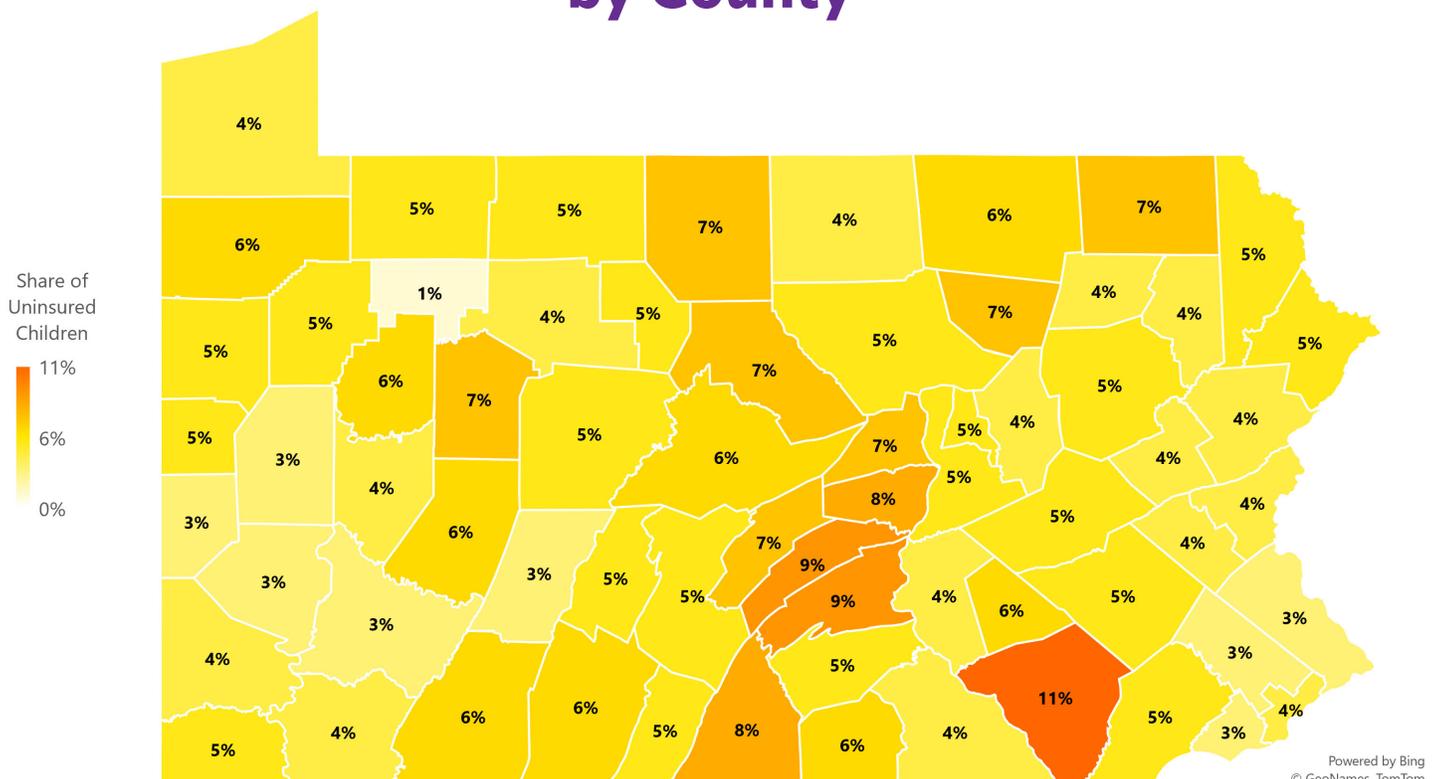
Policymakers, who are charged with being responsive to the expectations of taxpayers and ensuring public funds are both reducing waste and making a difference, must recognize that a rising number of uninsured children are placing an increasing burden on taxpayers. Failure to make sure every child is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

The share of uninsured children increased from 4.4% in 2021 to 5.5% in 2023, boosting the number of children without coverage to well over 145,000.²

Children were negatively impacted by the requirement for individuals to renew their eligibility in Medicaid and CHIP every six months at the end of the Pandemic. That policy change caused approximately 29,000 children to lose Medicaid coverage since April 2023.³ All of these children may also be uninsured, however there is no firm data to confirm their insurance status.

It is important to note 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. Pennsylvania's five rural counties with the highest uninsured rates for children are Lancaster (11%), Juniata (9%), Perry (9%), Franklin (8%) and Snyder (8%).⁴

Share of Uninsured Children in 2024 by County



Uncompensated Care & Its Impact on Pennsylvania State and Local Government

Uncompensated care is services 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 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 that in 2022 nearly \$722 million in hospital charges for in-patient and outpatient services are associated with more than 9,800 uninsured children.⁵ If the Commonwealth reforms its system to provide the more than 145,000 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.⁶

To make these payments, the state disbursed federal Medicaid and state matching funds. The federal government covers 58%⁷ of the costs and the state pays the balance. **Approximately \$386 million was paid to health care systems to cover the uncompensated care charges for uninsured children.**

The estimates of uncompensated care may be much higher. These estimates do not include the cost of uncompensated care outside of hospital networks nor do they account for children newly uninsured due to Medicaid unwinding.⁸ These estimates highlight the large burden uncompensated care places on both Pennsylvania's budget and taxpayers.

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

A significant body of research has demonstrated 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?

A 2014 study by Harvard and Cornell University found that a 10 percentage point increase in health insurance coverage for children reduces the high school drop out rate by .38%, increases college enrollment by .3% and increases BA attainment by .61%

These findings can be applied to estimate the impact of ensuring health 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.

The expansion of health insurance to 145,000 uninsured children could 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.

Additional educational attainment often leads to higher wages which quantifies how much increased 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?

Pennsylvania's Personal Income Tax rate of 3.07% can be applied 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.

These conservative estimates do not reflect new bachelor's degree holders who go on to attain graduate or postgraduate degrees.

This analysis does not 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.

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.

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



Endnotes

- ¹ Pennsylvania Health Care Cost Containment (PHC4) data
- ² 2023 State of Children's Health in PA
- ³ PA DHS Medicaid Unwinding Tracker
- ⁴ 2023 State of Children's Health in PA
- ⁵ Pennsylvania Health Care Cost Containment (PHC4) data
- ⁶ Medicaid Disproportionate Share Hospital (DSH) Payments | Medicaid
- ⁷ Chapter-4-Annual-Analysis-of-Medicaid-DSH-Allotments-to-States.pdf (macpac.gov)
- ⁸ 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.

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>



info@childrenfirstpa.org



childrenfirstpa



215.563.5848



childrenfirstpa.org