

# Santa Barbara County Analysis of Children's Health Initiative Discussion of Benefits and Cost Avoidance of Children's Health Insurance

Per the request of Supervisors Salud Carbajal and Joseph Centeno, a literature search was performed in order to explore what is known about the benefits and the possible cost-avoidance of enrolling more children in the Santa Barbara Healthy Kids program. There is extensive research that has documented the effects that health insurance has on a child's physical, social, developmental, and emotional health. The following discussion will cite some of that research in the areas of: 1) Better health outcomes; 2) Reduced ethnic health disparities; and 3) Possible cost avoidance.

## Better Health Outcomes

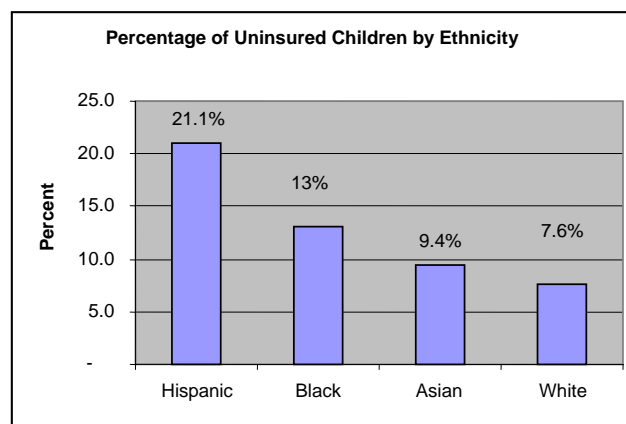
Compared to children with health insurance, uninsured children are<sup>1</sup>:

- Three times more likely *not* to have seen a doctor in the past year;
- More than 13 times as likely not to have a usual source of medical care;
- Five times more likely to have an unmet health care, dental, vision, prescription drug, or mental health care need;
- Two times more likely to die while in the hospital if admitted due to injuries;
- Two times more likely to not receive rehabilitative, follow up, or routine care upon discharge from the hospital.

In addition, a community's high rate of un-insurance can adversely effect the overall health status of the community. For example, low immunization rates increase the vulnerability of entire communities to outbreaks of measles and influenza. Childhood and adult immunization levels are correlated with having health insurance.<sup>2</sup>

## Reduced Ethnic Disparities

Insurance rates for children vary by ethnicity and income. Minority children and those in families that are 200% or less of the federal poverty level (approximately \$40,000 annually for a family of four) are far more likely to have high rates of uninsurance.<sup>3</sup>



Source: The Urban Institute, *Pressroom – Children without Health Insurance (2005)*

Since the advent of the State Children's Health Insurance Program (SCHIP – *Healthy Families* in California) in 1998, the number of uninsured minority children has decreased. However, as shown in the graph above, wide disparity still exists in insurance rates for children by ethnicity.

<sup>1</sup> Campaign for Children's Health Care, *Why Insurance Matters for Children (July 2006)*

<sup>2</sup> The Institute of Medicine Washington DC, *Uninsurance Facts & Figures (Drawn from Hidden Costs, Value Lost 2003)*

<sup>3</sup> The Urban Institute, *Pressroom – Children without Health Insurance (2005)*

## Possible Cost Avoidance

There are three areas of opportunity for possible future cost avoidance from the expanded provision of Children's Health Insurance: 1) Reduction of Hospital Emergency Department Usage; 2) Increased Health Education and Preventative Care; and 3) Increased Screening for Medi-Cal and Healthy Families Eligibility.

### **Emergency Department Use**

Hospitals are a vital part of the safety net for the uninsured. Of all of the costs of providing uncompensated care to the uninsured, hospitals carry the bulk of the burden – 63%<sup>4</sup>. In addition, since 14% of all uncompensated care is provided to children 0-18<sup>5</sup>, the hospitals are also carrying a large proportion of this burden, typically in their emergency departments (ED).

Studies reported by the *Partnership for Medicaid*, have shown that having a regular source of health care (a "medical home") reduces ED use significantly, not only for healthy patients, but also for those who are sicker and have greater health care needs<sup>6</sup>. The following chart illustrates the estimated dollar amounts incurred by our local hospitals on uncompensated care to children ages 0-18 in their five EDs and subsequent admissions. Unfortunately, data was not available from all five area hospitals, so the available data was used, along with ED visit data from the County Emergency Medical Services Agency, to develop an estimate for uncompensated ED costs to uninsured children:

<b>Private and Public funds for Uncompensated ED and Subsequent Admissions Care to Children (Annual)</b>	<b>Cost of Uncompensated Care to Children</b>
Hospital Emergency/Admissions Costs (estimated)	\$ 3,500,000
Tobacco Settlement (TSAC) Dollars	\$ 167,000
MADDY EMS Funding	\$ 68,000
Total	\$ 3,735,000

The chart also reflects the amount of local Tobacco Settlement Advisory Committee (TSAC) allocations and MADDY Emergency Medical Services (EMS) funding that is also paid to Hospital Emergency Department and Specialist physicians for children 0-18. The total estimated amount for hospital ED/admissions cost is \$3.5 Million. When actual figures for TSAC and MADDY EMS funding are added to this figure, a total of \$3.75 Million is estimated to be expended from these private and public sources for uncompensated ED care

As discussed earlier and in subsequent sections of this document, the provision of insurance that would provide a medical home for the child, along with increased patient education about appropriate ED usage and preventative care, may reduce visits to the emergency department. In addition, increased enrollment efforts for Healthy Kids could identify more children eligible for Medi-Cal and Healthy Families coverage through the application and screening process.

As an illustration, if these efforts were successful locally and achieved a 10% to 15% "savings" by a combination of reductions in ED usage or an increased number of children with a payment source for their services in the ED, an estimated uncompensated cost avoidance of \$350,000 to \$525,000 (as reflected in the above chart) could result.

<sup>4</sup> The Kaiser Commission on Medicaid and the Uninsured, *What we spend, Who Pays, and What would full coverage add to Medical Spending?* (May 2004)

<sup>5</sup> Ibid

<sup>6</sup> Partnership for Medicaid, *Emergency Room Diversion* (December 2003)

### **Increased Health Education and Preventative Care**

The *Partnership for Medicaid* states that a successful effort at reducing ED usage is not necessarily due to only providing insurance or a medical home, but is also linked to providing education and assistance in navigating the healthcare system and promoting preventative care. This is crucial in preventing inappropriate ED usage and in early identification of potential health issues.

The economic value of preventative care is has been widely studied and some data is available on the *return on investment* of dollars spent on preventative care:

- For every dollar spent on **family planning services\***, \$4.40 is saved on medical care, welfare, and nutritional programs for babies up to age two<sup>7</sup>.
- For every dollar spent on **preventative dental care\***, \$4.00 is saved in treatment costs<sup>8</sup>.
- For every dollar spent on **immunizations\***, \$6.30 is save in direct medical costs<sup>9</sup>

Evaluation data from the Santa Clara Children's Health Initiative demonstrates that the Healthy Kids program dramatically increased children's access to and use of preventative care and medical care. Overall, the proportion of children receiving a medical visit in the past six months rose from 32 percent without Healthy Kids to 54 percent with Healthy Kids. This increase reflects a near doubling in the proportion of children who received a preventive visit (from 25 percent to 43 percent) and who received a sick visit (from 18 percent to 30 percent).<sup>10</sup>

### **Increased Screening for Medi-Cal and Healthy Families Eligibility**

Through a "single point of entry" approach, identified uninsured children are screened for Medi-Cal or Healthy Families program eligibility concurrently with eligibility for the Healthy Kids program. Furthermore, according to the March 3, 2007 Board of Supervisors report on the Children's Health Initiative(CHI), early data showed that approximately 60% of Santa Barbara children enrolled through the CHI for the locally funded Healthy Kids program were eligible for a publicly (state/federal) funded program.<sup>11</sup> Therefore, the enrollment efforts for the Healthy Kids program have been shown to increase the amount of federal and state dollars to the County and have resulted in more children being covered by available public programs.

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<sup>7</sup> Georgia Dept. of Human Resources, Division of Public Health

<sup>8</sup> Delta Dental

<sup>9</sup> Centers for Disease Control (CDC) 2006

<sup>10</sup> Mathematica Policy Research, Inc *Santa Clara County CHI Improves Children's Health, (March 2007)*

<sup>11</sup> Board of Supervisors Report, *Health Insurance Funding for Uninsured Children in Santa Barbara County-Children's Health Initiative (March 6, 2007)*