

# Updating Estimates of the Costs of Raising Children with a Focus on Medical Support Costs

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All comments and views are our own and do not necessarily reflect those of the University of Wisconsin, the State of Wisconsin, the Federal Reserve Board of Governors or any other entity.

# Policy Implications

1. Existing models for determining the general cost of raising children are still relevant and largely accurate
2. The cost of providing health care to children is rising rapidly and these costs are increasingly paid out-of-pocket
3. Certain children face large and variable health care expenditures and time costs for care that preclude the use of pre-set award amounts
4. The difference between the health care costs of Special Health Care Needs (SHCN) children and well-children should be considered separately when evaluation medical expenditures.

# Review of Technical Literature:

## How much do children *really* cost?

- The Engel Method is based on family food expenditures.
- The Rothbarth estimator is based on family's expendable income on 'adult goods'.
- The USDA estimator is based on a detailed study of families using multivariate analysis and interviews across the country

# Ongoing Issues in Calculating the Cost of Raising Children

- Indirect costs are difficult to identify and quantify
- Children's period of dependency on parents for financial support is increasing, extending into late 20s and beyond



# The growth in health care costs

Between 2000 and 2010 the average annual health insurance premium for those with employer provided insurance increased by 114 percent, going from **\$6,438 to \$13,770**. (CPI increased 27 percent)

An increasing share of this premium was covered by the worker themselves, with their contribution increasing by 147 percent from \$1,619 in 2000 to \$3,997 in 2010.

- ✓ Approximately 65 percent of uninsured employees worked for employers that did not offer health insurance coverage.
  - ✓ The costs of health care for those who pay out-of-pocket or purchase private non-group health insurance themselves have also increased rapidly.
  - ✓ Premiums in the non-group market have risen particularly rapidly of late.
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- **Of those families with non-group coverage, 77 percent reported having their premiums increased over the past year at an average rate of 20 percent.**
  - **With average premiums for family coverage being \$7,102 in 2010, increases averaging 20 percent represent an obvious burden on families and an impediment to continued coverage.**

# Medical insurance provision...

- ❖ Under 45 CFR 303.31, the IV-D agency must petition for health insurance in new and modified support orders (Heller 2003).
- ❖ A parent's income must be above 150 percent of the federal poverty level in order for the child support orders to include medical support (Wisconsin DCF 2010).
- ❖ Child support agencies are not responsible for enforcing medical orders if they are for unspecified dollar amounts, such as "half" of the medical bills (Wisconsin DCF 2010).
- ❖ A child's potential for receiving appropriate medical care may be hindered due to accruing arrears, high premiums that exceed 10 percent of the parent's net income, and the employer's decision to cease offering a health insurance benefit.
  - When only partial payments are collected, the IV-D agency must apportion the amount collected between the child support and the medical support specified in proportionate shares (Heller 2002).

# Facts and figures on out of pocket expenses



- In 2004, approximately 79 percent of children under age six had office-based medical provider services, averaging \$160 per child, compared to just 61 percent of children between the ages of six and seventeen, which averaged \$127 per child .

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- In 2002, the average amount of out of pocket medical expenses for a higher income family was \$1,200 to \$1,500, but the median out of pocket expenses among poor or near poor families was approximately \$1,000

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- Spending on hospital services for acute illness was relatively high, averaging approximately \$1,000 per child per year in 2008, but the frequency of these hospital visits remains very low.
  - In contrast, spending on physicians and clinic services were more frequent, but cost less at \$750 per child per year .

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- Out of pocket prescription drug costs for children vary significantly by race, insurance status, etc
  - Ranged from \$4 to \$95 per year in 1996

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- Total out of pocket costs in 2010 were approximately \$2,700 for those with non-group family coverage

# Dental Health for Well Children

Oral health is a vital component of a child's overall holistic health care, and yet dental care is one of the most commonly overlooked preventative services.

Tooth decay is one of the most common dental conditions among children in the United States.



By age two to four years old,  
17 percent of children have already had tooth decay.





# Facts and Figures



- In 2003, only 48 percent of children between ages two and eleven and 55 percent of children between the ages of twelve and seventeen years old obtained at least one dental service visit.
- Children between ages twelve and seventeen with at least one dental visit had an average dental expense of \$740 while the average annual dental expense was \$330 for children ages two to eleven.
- Spending for dental services, including orthodontia, accounted for 12 percent (\$29 billion) of children's health spending in 2004.

# Beyond Medical and Dental

## Mental Health

- Does not have a prevention component
- Medication and treatment intensive

### *Statistic*

- ❖ *In 2008, over half of children diagnosed with mental health issues received psychotropic medication, and approximately 7 percent were admitted into inpatient psychiatric care*

## Vision Care

- Has prevention component
- Visual impairments and other conditions of the eye are among the 10 most frequent causes of disability in America

### *Statistics*

- ❖ *The cost of treating these conditions was at least \$23 billion in direct medical costs and \$16 billion in indirect costs per year. It is estimated that approximately 25 per 1,000 children under 18 years old are blind or visually impaired. About 2 percent of children entering first grade, and about 15 percent of children entering high school are nearsighted.*

# What is a SHCN Child

Children with special health care needs (SHCN) are children who have an increased risk for a variety of chronic conditions, requiring higher levels of health care services and expenditures than the average child.



These conditions include:

- Physical Illness
- Physical disabilities
- Mental disorders
- Emotional and/or behavioral disorders

# Cost difference between SHCN children and well children

- Families incur a broad range of expenses associated with a SHCN child's health care. Each circumstance is unique.

## STATISTIC:

Autism, muscular dystrophy, cystic fibrosis, heart problems, and emotional problems cost families between \$2,660 to \$69,900 in out-of-pocket expenses compared to \$680 to \$3,180 for families with non-SHCN children.

# Insurance coverage and SHCN children

Did you know.....?

- Spending on SHCN children consumes about 16 percent of the total Medicaid budget and about 38 percent of the budget for all disabled people of all age groups
- In 2004, health insurance premiums were an additional \$2,060 to \$3,600 annually for families of SHCN, depending on benefit plan type.

# Impacts on health care cost

	<u>SHCN Children</u>	<u>Well Children</u>
Ambulatory visits	• 83.3 percent	• 67.4 percent
ER visits	• 16.3 percent	• 11.1 percent
In-hospital stays	• 6.0 percent	• 2.4 percent
Dental visits	• 50.3 percent	• 44.2 percent
Prescriptions	• 78.7 percent	• 45.8 percent

- ❖ Children with disabilities have almost eight times higher expenses for hospital inpatient care than children without disabilities!

# ***What type of expenditures need to be considered?***

- **Medical Equipment** → **eyeglasses, hearing aids, wheelchairs, and medical equipment rentals**
- **Home Health Care** → **private or public nursing services**
- **Hospital Care** → **room/board, diagnosis, treatment, pharmacy**
- **Professional Services** → **speech and physical therapists, private-duty nurses, optometrists, podiatrists**
- **Added Living Costs** → **added costs include electricity, heating, water, special clothing, equipment, food, and transportation to medical appointments, but these expenditures are not readily considered in determining costs**



***The average expenditures on prescription medications were five times higher for SHCN children than those without disabilities***

# Dental Costs for SHCN Children

Dental care for SHCN children can be divided into two main categories:

1. Preventative
  2. Non-preventative
- Although SHCN were associated with unmet dental care needs among U.S. children, special needs children used more dental care services in the realm of non-preventative care than their counterparts
  - It is possible that parents may put preventative dental care lower on the list of medical priorities, particularly if the child has a condition that warrants ongoing medical treatments.

# Mental health care costs

## DID YOU KNOW.....?

- The most ubiquitous behavioral disorder was ADHD (4.2 percent), followed by depression (1.4 percent), anxiety (1.1 percent), miscellaneous disorders (0.5 percent), conduct disorder (0.3 percent), affective psychoses (0.2 percent), and oppositional-defiant disorder (0.1 percent).
- Children with behavioral disorders incurred over \$1,468 in expenditures compared to \$710 for children without behavioral disorders
- Office-based visits and prescription medication costs were also significantly higher among these children compared to their well counterparts (\$425 versus \$171 for office visits and \$235 versus \$61 for prescription drugs).
- Children with emotional disorders and affective psychoses had the greatest total expenditures (\$3,237), followed by depression disorder (\$2,555), and anxiety disorder (\$1,824).

# Indirect costs of disabled children

- About 20 percent of parents or caretakers of SHCN children reported spending more than five hours per week directly related to arranging and coordinating health-related services
- Loss in parental income due to missed work, not being able to work consistent hours, the inability to work overtime, and quitting jobs are just some of the labor force challenges that these parents face

# What else?

- Missed professional opportunities
- Lost wages
- Loss of personal time and care



# Points to Consider

## **Determining medical support for children with SHCN is complex:**

- Health insurance coverage is particularly crucial for these children.
- SHCN children have fluctuating direct medical expenses, particularly if the condition is degenerative or intermittent. Specifically ordered amounts may be too high or too low in any given time period. Yet, tracking varying medical expenses may not be feasible for the State.
- Out-of-pocket expenditures for these children tend to be extraordinarily high.
- Another challenge is calculating the indirect costs related to caring for SHCN children. Parents spend a significant amount of time on the medical needs of these children, in addition to parenting.
- The state has the added burden of ensuring that all parties involved (custodial parent, noncustodial parent, and especially the child[ren]) are treated equitably.

# Policy Considerations



- Wisconsin's current structure of medical support orders may be sufficient for non-SHCN children; however, as costs continue to rise, it may need to be reevaluated. The need to revise may become more urgent if the trend of declining employer provided health care coverage continues.
- If new guidelines were constructed to account for the rising health care costs, the guidelines would need to specifically address SHCN children, and would have to juggle the child's best interest, reasonable payments, and collection challenges, while consistently covering medical costs.
- The mentioned challenges and considerations are intended to highlight some of the issues that the State of Wisconsin may face as new criteria for support calculation in light of rising health care costs evolve.



**Questions are welcome**

**THANK YOU**