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Economic arguments for early investments in children



Objectives

- Describe two economic models of the benefits of early intervention for young children.
- Assess how the current economic crisis will impact upon both children's health and pediatric practice.

Four sets of PHC reforms

This report structures the PHC reforms in four groups that reflect the convergence between the evidence on what is needed for an effective response to the health challenges of today's world, the values of equity, solidarity and social justice that drive the PHC movement, and the growing expectations of the population in modernizing societies (Figure 1):

- reforms that ensure that health systems contribute to health equity, social justice and the end of exclusion, primarily by moving towards universal access and social health protection – *universal coverage reforms*;
- reforms that reorganize health services as primary care, i.e. around people's needs and expectations, so as to make them more socially relevant and more responsive to the changing world while producing better outcomes – *service delivery reforms*;
- reforms that secure healthier communities, by

Figure 1 The PHC reforms necessary to refocus health systems towards health for all



than they were 30 years ago, but large population groups have been left behind. In some places,

Economists



Pediatricians



"I really don't know —
it was a group hug."

Returns on investment of early education – Rolnick and Gruenwald

- Early education investments far exceed the rate of return on most public projects that are considered economic development
- Early intervention key to build and maintain a viable state economy
- Subsidies fail to create economic gains
 - In “Early Childhood Development with a High Public Return”

Perry preschool program longitudinal study

- 123 African-American children living in poverty in Ypsilanti, Michigan, at high risk of failure in 1962
- Program design
 - Well-qualified teachers
 - Class size max = 8
 - Home visits with parents
 - Randomly assigned 58 children to preschool vs. 65 children with no preschool

Recent conclusions at age 40

- Return to society of \$17 for every \$1 spent, primarily due to reduction in crime
- More were employed (76% vs. 62%)
- More graduated from high school, especially females
- Fewer arrests ≥ 5 (36% vs. 55%)

Rolnick and Gruenwald conclusions on early intervention

- Return on investment of 16%
- 80% of benefits go to the general public
- \$8 yielded for every \$1 invested

Recommendations

- Fully fund a high-quality program for all 3 and 4 year old children in poverty

Building human capital - Heckman

- Individual productivity can be fostered by investments in young children, especially children in poverty or other adverse circumstances

The bad news

- America's workforce is not gaining in quality or productivity, and growth is slowing
- **RESULT:** fewer educated individuals in the workforce, and lower productivity

Key findings

- Cognitive and non-cognitive abilities are essential for a productive workforce
- Gaps that emerge early are more difficult to change
- Because skills are accumulated, starting earlier and over time, an investment in young children is an investment in future productivity and public safety

Family environments are important in determining education and skills

- More children growing up in adverse environments
- Early education and other early interventions such as home visits can lessen the effects of a poor family environment
- Key workforce skills such as motivation, persistence and self-control develop early in life

When to invest?

- K-12 funding, job training programs, and GED programs comes too late

Developmental outcomes vs. return on investment

Return on investment (James Heckman, U of Chicago)

- Decreased drop-outs
- Decreased unwanted pregnancies
- Decreased incarceration
- Increased productivity
- Increased income
- Increased tax base

Determinants of childhood well-being

- Social
- Societal
- Family

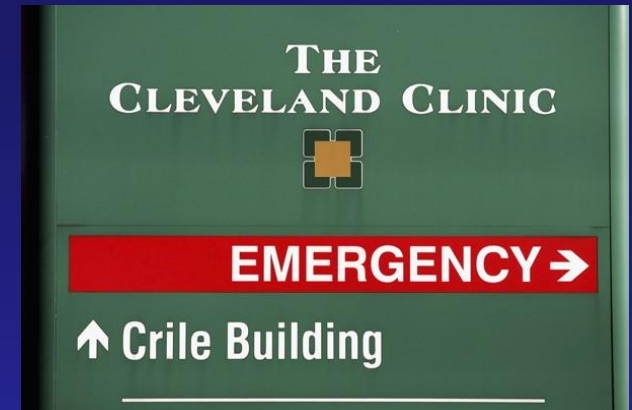
Intergenerational cycle of suboptimal investments in children

- Larger health and social disparities

Is pediatrics prepared to deal with a rise in chronic health conditions that results from poor investments in children and families?

Obama Plan to Insure all

(50M more)



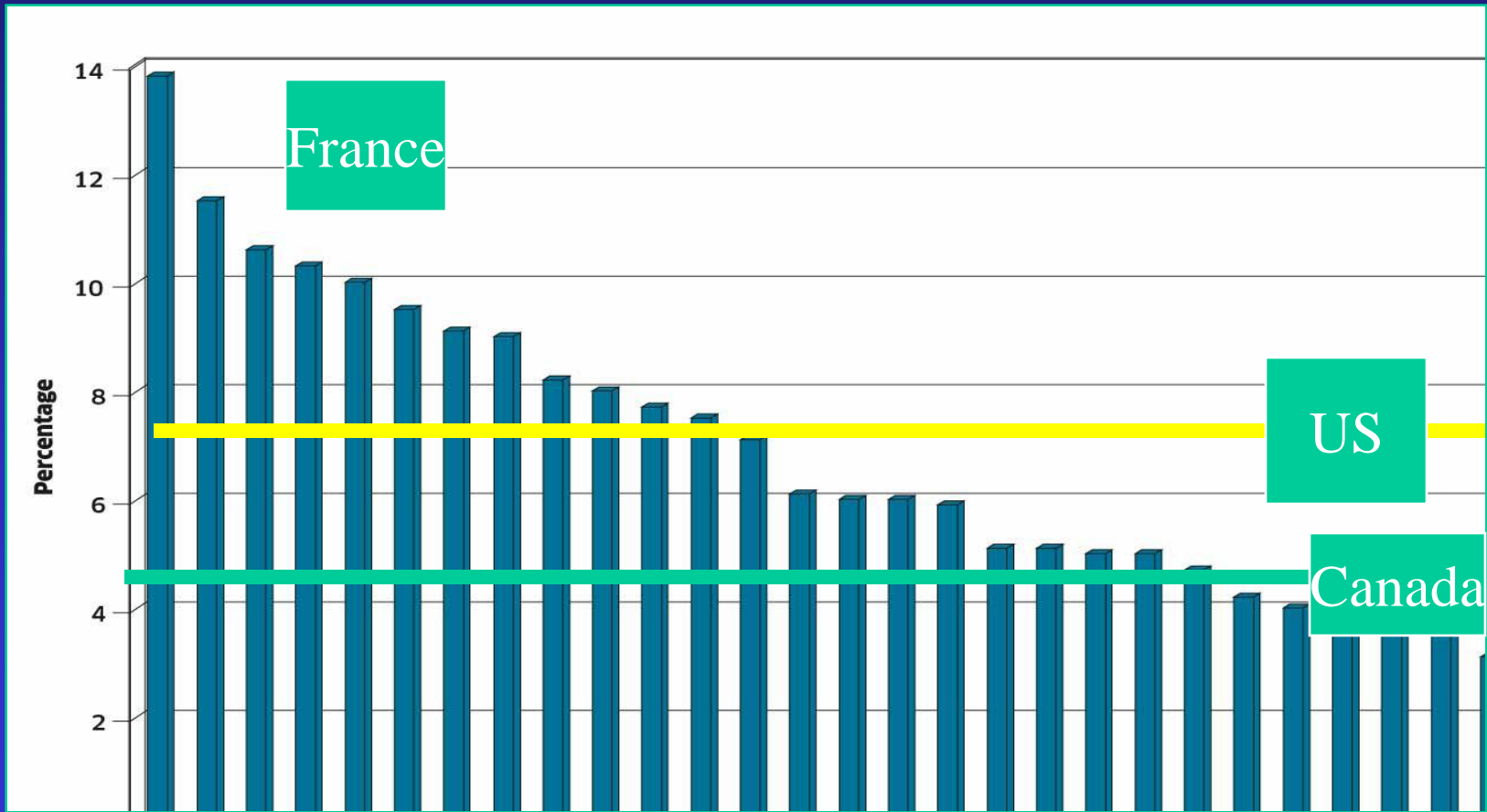
- “Health care systems in many parts of the country deliver high quality care to the populations they serve at half the cost of other equally renowned academic medical centers in other parts of the country.”
- Cost effectiveness Metro vs. CCF

Obama Plan to lower costs

- Premiums up 87% in 6 years
- Administrative overhead up 12% per year (00-05)
- Medicare Advantage increased costs by 12% over Medicare eliminated
- 67% drug mark-up in US eliminated
- Catastrophic 5% cost 49% of all health care spending
- Create a national health insurance exchange – with public/private option
- 50% tax credit for small businesses

Mental health budget or expenditure as a proportion of the total health budget or expenditure

UK



What will the future hold for us?

- **Medical inflation**
 - Would reimbursement for outpatient services decrease as medical inflation continues?
- **Hospital-centrism**
 - Would reimbursement advantage for inpatient over outpatient increase?
- **Unregulated commercialism**
 - e.g. Cleveland Clinic \$1B on two buildings
 - Higher reimbursement rates

What will the future hold for government?

- **Loss of safety net funding**
 - Productivity of private practice (90-100%) exceeds CMHC/teaching hospital providers (70%)
 - 2009 Cuts - ODMH 2% ODADAS %4.75
- **Planning to address fragmentation**
 - How can we address fragmentation without a comprehensive mental health system and plan?
 - Who would be responsible? Federal/state/local?

Unanswered questions

- Universal coverage
- Service delivery
- Leadership
- Public Policy



Impact of economic crisis on early investment in children

