Confronting the Nonmedical Costs of Childhood Hospitalizations

Andrew D. Racine, MD, PhD

Illness is costly in general, and hospitalization is especially so. In the current issue of *Pediatrics*, Chang et al[1] have added an important contribution to our understanding of exactly how costly hospitalization for children can be by focusing their attention not on the direct medical costs to families of the hospitalization itself but on the indirect out-of-pocket expenditures that are associated with lost earnings, transportation to and from the hospital, meals, and child care.

Using data from a prospective randomized trial that was conducted at the Cincinnati Children's Hospital Medical Center from February 2015 to April 2016, the authors analyzed data from interviews with the families of 1372 children with a mean hospital stay of 3.1 days to calculate the lost earnings and accrued costs of parking, travel, meals, child care, and other expenses that were summarized as the total cost burden of the hospitalization. They also translated these expenditures into the percent of daily household income that was represented. The authors found the median total cost burden to be $112.80 and the median daily cost burden (as a percentage of income) to be 45%. These averages, as the authors rightly point out, vary considerably with the parents' educational level, income, and whether they report significant financial hardship. The estimates represent a lower bound for nonmedical expenses and lost earnings as a percentage of daily income both because the authors calculated household income using the maximum value for each income category and because they confined the time period of incremental expenditures and foregone earnings to exclude any costs that were incurred postdischarge that might be attributable to the same clinical event.

How much of a hardship is this for the families in this sample, 40% of whom made <$30 000 per year? What does it mean to have to devote 45% of a family's daily income to extra, unexpected costs for 3 days? The answer to these questions depends less on daily family income than it does on a family's savings (ie, what reserves a family can access in case of an emergency, such as a child's hospitalization). The data on this metric of financial well-being, or wealth, are sobering. It is estimated that in 2016, 21.2% of all households had 0 or negative net wealth, a figure that increased sharply as a result of the Great Recession. If you exclude the value of real estate, that is, if you focus on that portion of a family's wealth that they could conceivably access in the short term, the percentage jumps to >30%. This picture, rather than improving, has deteriorated over the past decade as a result of the Great Recession. In 2016, the median household wealth was still 34% below its peak in 2007.[2] Households with children were even more severely affected. Household wealth for these families fell 56% between 1989 and 2013, and for those families in the lower half of the income distribution, those declines were even more severe.[3] Wealth destruction of a magnitude this catastrophic is unprecedented in recent US peacetime history.

Albert Einstein College of Medicine and Montefiore Health System, New York City, New York

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Address correspondence to Andrew D. Racine, MD, PhD, Montefiore Health System, 111 E. 210th St, Bronx, NY 10467. E-mail: aracine@montefiore.org

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Given the data that are presented by Chang et al,[1] what remedies should we entertain in response? As a general matter of public policy, Americans tend to prefer aid programs with eligibility that can be limited to certain categories of "deserving" individuals (eg, those who are elderly, those with disabilities, or those with young children) and that can be restricted to specific "merit goods," such as food, medical assistance, or housing. Given these apparent preferences, there is good news and bad news. On the 1 hand, in a market economy, dollars are fungible, and aid that a family receives for 1 set of needs may offset the expenditures for another set of needs. Using received resources that are dedicated to the cost of food or medical services can leave more money available for transportation or child care. For this reason, many researchers have found that the Patient Protection and Affordable Care Act and Medicaid expansions have had a salutary effect on family finances in general.[4,5] On the other hand, because deserving categories of recipients compete against one another for a shrinking pool of public dollars, those with greater political influence frequently fare better than those without such influence, such that from 1984 to 2004, although monthly transfers going to people who are elderly and people with disabilities grew by 12% and 15%, respectively, transfers going to single-mother households and unemployed families declined by 19% and 21%, respectively.[6] So what is to be done?

Those marshalling the existing patchwork of policy options for the families of children who are hospitalized will call on different options for different categories of families. For those who are working, an expansion of the Earned Income Tax Credit and the Child Tax Credit that allows for the itemization of hospitalization as an additional expense would provide added resources in the event of a serious illness. By the same token, working families would benefit from paid family leave of the type that was recently enacted in New York State,[7] which insures against lost income when caring for a sick family member. For all children who are hospitalized and their families, however, whether they're in the labor force or not, the defense and strengthening of Medicaid and the Children's Health Insurance Program represent the most critical policy elements. These programs have built-in flexibility that could potentially allow state leaders to experiment with new approaches to families' needs by adjusting benefit packages during periods of hospitalization to account for the additional expenses of transportation, meals, or child care.

Finally, and perhaps most crucially, repairing the balance sheet of low-income Americans is the 1 priority that we must not lose sight of. Reversing the decades-long trend of shrinking wealth among families with young children is the ultimate policy objective that will help in insulating the families of hospitalized children not just from the punishing nonmedical consequences of unexpected illness but also from the innumerable other potential misfortunes that await those with no resources to spare.

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