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**TESTIMONY OF JUDITH S. PALFREY, MD, FAAP  
ON BEHALF OF THE AMERICAN ACADEMY OF PEDIATRICS**

**National Commission on Fiscal Responsibility and Reform**

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Good afternoon. Chairman Simpson, Chairman Bowles, and members of the Commission, I appreciate the opportunity to testify today before the National Commission on Fiscal Responsibility and Reform. My name is Judith Palfrey, MD, FAAP, and I am proud to serve as the President of the American Academy of Pediatrics (AAP), a non-profit professional organization of 60,000 primary care pediatricians, pediatric medical sub-specialists, and pediatric surgical specialists dedicated to the optimal physical, mental, and social health and well-being for all infants, children, adolescents, and young adults in America.

I testify today on behalf of the 90 million American children and their families that my colleagues and I serve and treat.

As you work to compile your recommendations, AAP urges the Commission to abide by a “do no harm” pledge when it comes to our Nation’s children. Despite recent gains, the United States continues to spend less on our children’s health, education, and general welfare than most other developed nations in the world. And it shows.

Of the world’s richest twenty-one nations, the United States comes in dead last in terms of overall health and safety of its children when we factor in such indicators as child health at birth (including infant mortality rates and prevalence of low birth weight), child immunization rates for children aged 12 to 23 months, and deaths from accidents or injuries among people aged 0 to 19 years.<sup>1</sup>

Babies born in the United States today are less likely to survive until their first birthday than those in 27 other industrialized nations.<sup>2</sup>

And one in 11 high school students reports attempting suicide.<sup>3</sup>

The U.S. Census Bureau estimates there are 90.8 million children under the age of 18 in our country today, representing 31% of the total U.S. population.<sup>4</sup> Yet a recent analysis

by the American Academy of Pediatrics reveals that health care services for infants, children and young adults account for only 12% of total annual health care payments.<sup>5</sup>

A joint Urban Institute / Brookings Institute study released in January shows that less than one-tenth of the federal budget was spent on children in 2008. And while actual spending on children rose in 2009 due to an influx of funds under the American Recovery and Reinvestment Act (ARRA), when combined with all new infusions of federal funding last year, the actual percentage of total federal outlays spent on children fell from 9.9% in 2008 to only 8.2% in 2009. Even more, as the stimulus expires, spending on children will decline, falling to 1.9% of our total Gross Domestic Product (GDP) by 2019 if current policies continue unchanged.<sup>6</sup>

Further, along with the Children's Health Insurance Program, the Medicaid program provides the bulk of publicly-funded, health-related services to our youngest population as a whole. While more than half of the enrollees in the critical Medicaid safety net are children aged 0 to 18 years, their cost in 2004 was only 24% of the whole. Even more, per capita Medicaid spending for children aged 0 to 18 years was 2.5 times less than per capita spending for the aged 65-plus population during the same time period.<sup>7</sup>

Recent budgetary actions in Washington make me very concerned. Efforts currently underway in the Federal Fiscal Year (FFY) 2011 budget process to trim close to \$7 billion in non-defense discretionary spending will have a negative impact on such important public health programs as the Section 317 Immunization Program for children, universal newborn hearing screening, prematurity prevention, and school-based health initiatives to name just a few.

I urge the Commission not to embrace this trend that further handicaps our efforts to invest in children.

Instead, strong immediate financial investments in early childhood education, children's health care, and prevention programs will pay extraordinary dividends in years to come,

and sustained investments over time – uninterrupted – will regularly compound the benefits of earlier investments and reduce overall health care costs. Our children are 100% our now and 100% our future.

With appropriate resources, we can reduce prematurity and low birth rates. According to the Institute of Medicine, preterm births cost the United States more than \$26 billion every year.<sup>8</sup> A study published in the AAP journal *Pediatrics* conclude that costs for preterm/low birth weight hospital admissions in 2001 totaled \$5.8 billion, representing 47% of the costs for all infant hospitalizations and 27% for all pediatric stays. Preterm/low birth weight infant stays averaged \$15,100 that year, with a mean length stay of 12.9 days versus \$600 and 1.9 days for uncomplicated newborns.<sup>9</sup> With investments in education and appropriate prenatal care, we can significantly decrease the number of preterm/low weight births, improve children’s overall health outlook, and reduce associated medical costs over a lifetime.

We can reduce vaccine-preventable illnesses by making immunizations more available and identifying new vaccine therapies through research investments. The economic impact of the current routine U.S. childhood immunization schedule provides net savings of \$9.9 billion in direct costs and \$43.3 billion in societal costs when the burden of diseases without vaccination and costs associated with the diseases are considered.<sup>10</sup>

And we can and must reduce the number of calories our children are eating, increase the time children spend in physical activities, and reduce children’s screen time. Obese children are developing type 2 diabetes, liver disease, and sleep apnea at startling rates. We know what is needed for healthy growth and development, but in these times, our worst enemy is excess. At the AAP, we are extremely proud to stand as partners with the First Lady in the Nation’s *Let’s Move!* Initiative and we look to Congress to help with improving the quality and decreasing the concentrations of calories and fat in food offered to our children in federally-supported nutrition services such as the school breakfast, lunch and WIC programs.

By focusing on the needs of our children, we ensure the United States can compete in the global marketplace. Other nations in every corner of the globe currently outperform the United States in terms of economic competitiveness. Investments made in our children to improve graduation rates, prioritize parenting and health education, and devote resources to early brain and child development yield very high returns for the American economy. It is troublesome that in some of our states, over one-half of fourth grade children are not reading at grade level, leading many to conclude that the prospects for the US workforce are grim at best.

Nobel Prize-winning economist James Heckman has demonstrated that investments in the youngest among us produce lasting social and economic benefits. Well-educated, responsible citizens earn good wages, pay taxes, and support public services. They innovate. They manufacture. And they, in turn, invest in later generations themselves.<sup>11</sup>

Investments made in children's health have a national security impact as well. Consider that the child health benefit known as Early and Periodic Screening Diagnosis and Treatment under Medicaid was actually established in 1967 during the height of the Vietnam War after more than half of all draftees failed their entrance physicals due to preventable physical and mental health issues.

And investments made in our children's health today will directly reduce medical costs in their senior years. A study published this month in *Health Affairs* confirms that chronic illness accounts for 84% of U.S. health expenditures, comprising 78% of private spending, 79% of Medicaid spending, and 98% of Medicare spending.<sup>12</sup>

The number of people with chronic conditions is skyrocketing. Between 2000 and 2030, it is estimated that the number of Americans with one or more chronic condition will rise 37%, an increase of 46 million people. And currently, over two-thirds of Medicare expenditures are for beneficiaries with five or more chronic conditions, conditions like diabetes, arthritis, hypertension, and kidney disease that are largely preventable over the course of a lifetime.<sup>13</sup>

Thanks to the creation of Social Security in 1935 and the Medicare and Medicaid programs in 1965, today's generation of America's seniors are – overall – the healthiest and the wealthiest in our country's history. Because of this significant federal investment, American seniors today live longer, more productive lives. And that's a very good thing.

But in your deliberations, remember that the projections you make today rest upon a healthy, educated, and competitive workforce of tomorrow. As you work to save and restructure federal programs for America's aging populations, please consider how your actions are directly tied to her youngest.

The long-term fiscal health of our Nation rests in the long-term physical, mental, and emotional health of our children.

Thank you for this opportunity.

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<sup>1</sup> UNICEF, Child poverty in perspective: An overview of child well-being in rich countries, *Innocenti Report Card 7*, 2007. UNICEF Innocenti Research Centre, Florence. Available at: [http://www.unicef-irc.org/publications/pdf/rc7\\_eng.pdf](http://www.unicef-irc.org/publications/pdf/rc7_eng.pdf).

<sup>2</sup> OECD (2009), *Health at a Glance 2009: OECD Indicators*, OECD Publishing. Doi: 10.1787/health\_glance-2009-en. Available at: [http://dx.doi.org/10.1787/health\\_glance-2009-en](http://dx.doi.org/10.1787/health_glance-2009-en).

<sup>3</sup> America's Promise Alliance. Accessed at: <http://www.americaspromise.org>.

<sup>4</sup> U.S. Census Bureau, 2008 American Community Survey. Accessed at: [http://factfinder.census.gov/servlet/ADPTable?\\_bm=y&-geo\\_id=01000US&-ds\\_name=ACS\\_2008\\_1YR\\_G00\\_&-lang=en&-caller=geoselect&-format=](http://factfinder.census.gov/servlet/ADPTable?_bm=y&-geo_id=01000US&-ds_name=ACS_2008_1YR_G00_&-lang=en&-caller=geoselect&-format=).

<sup>5</sup> American Academy of Pediatrics, *Profile of Pediatric Visits, Annualized estimates 2004-2007*, updated April 2010. Available at: <http://practice.aap.org/content.aspx?aid=1690>.

<sup>6</sup> Urban Institute, *Public Expenditures on Children through 2008*, January 2010. Available at: <http://www.urban.org/url.cfm?ID=412003>.

<sup>7</sup> Centers for Medicare and Medicaid Services. *National Health Expenditures Fact Sheet*. Accessed at: [https://www.cms.gov/NationalHealthExpendData/25\\_NHE\\_Fact\\_Sheet.asp](https://www.cms.gov/NationalHealthExpendData/25_NHE_Fact_Sheet.asp).

<sup>8</sup> Institute of Medicine. *Preterm Birth: Causes, Consequences, and Prevention*, July 2006.

<sup>9</sup> Russell R, Green N, Steiner C, Meikle S, et al. Cost of Hospitalization for Preterm and Low Birth Weight Infants in the United States. *Pediatrics*. 2007; 120:e1-e9.

<sup>10</sup> Zhou F, Santoli J, Messonnier M, Yusuf H, et al. Economic Evaluation of the 7-Vaccine Routine Childhood Immunization Schedule in the United States, 2001. *Arch Pediatr Adolesc Med*. 2005; 159:1136-1144.

<sup>11</sup> Heckman J. Stimulating the Young. *The American*. 7 August 2009. Accessed at: <http://www.american.com>.

<sup>12</sup> Thorpe K and Ogden L. The Foundation That Health Reform Lays for Improve Payment, Care Coordination, and Prevention. *Health Affairs*. 2010; 29/6:1183-1187.

<sup>13</sup> Robert Wood Johnson Foundation. Chronic Care: making the Case for Ongoing Care, updated February 2010. Available at: <http://www.rwjf.org/files/research/50968chronic.care.chartbook.pdf>.