Does CBO Need a Nudge to Invest in Our Children?

By James S. Marks, MD, MPH

These are difficult times for our country, and many families are being asked to do more with less. Budget talks dominate the discussions in coffee shops, town halls and state houses from California to the New York Island. And with more and more in America in need of help, there are fewer resources to help them.

Under such circumstances it's understandable that tough choices must be made but I can't help but think that in too many cases it is our children who are left holding the short end of the budget stick. And our future is being harmed, not helped.

It seems like every day we're reading about another initiative for children being cut as the result of budget issues. Consider the following:

- Health Care: Less than half of all states have been able to take advantage of the federal funds for the expansion of the State Children's Health Insurance Program (SCHIP) because they don't have the matching funds. This could leave up to four million children who were supposed to be covered by this plan uninsured.
- Education: Rare is the day when more cuts in education are not reported. States and school districts have been forced to eliminate programs, shorten academic years, and, of course, lay off teachers – leading to more crowded classrooms and poorer learning when our children need better education to compete globally. The Department of Education estimates that between 100,000 and 300,000 education jobs are at risk.
- Services: The *New York Times* reported recently that several states have had to cut back on child-care subsidies, forcing some moms to actually quit work and return to the welfare rolls.

These cuts *may* result in short-term savings, but they are *sure* to result in long-term loss and damage to our society.

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As a society, we seem to especially underestimate the importance of these investments in our children. Part of the problem may lie in the way we measure and evaluate the true costs and economic value of our budgetary decisions, especially those that relate to our children.

A good example is how the Congressional Budget Office's (CBO's) method of counting or "scoring" the cost and potential savings of pending legislation in health and education for our kids can badly understate the real value of these investments. The CBO was established over 35 years ago to "provide Congress with objective, non-partisan, and timely analysis to aid in economic and budgetary decisions."[1] It has turned out to be a powerful voice in the discussion of many important bills.

Within its roles and responsibilities, however, lies a very significant limitation: according to CBO's cover letter to the original scoring report on health care reform and the federal budget, "the CBO does not provide formal cost estimates beyond the ten-year budget window because the uncertainties are simply too great."

According to its mandate as stated in that letter, the CBO does not look at any return on investment beyond ten years.

Benjamin Franklin famously remarked, "An ounce of prevention is worth a pound of cure." Unfortunately, what this often means is that, according to the CBO, an ounce of prevention, especially where our children are concerned, isn't worth anything at all. Consider the implications. When the CBO scores a bill, it gets to apply the savings, if any, that occur during the ten-year window to offset the costs. This ten-year rule means that the value of the return on almost every dollar the government invests in our young children – say, for their education, or for investments in preventive care and public health – is not reflected in CBO scoring, because most of those savings or long-term value will come later. Sure, sometimes prevention returns come sooner than ten years, but the value of helping children become healthier and more productive adults really pays off when they are adults, well beyond a ten-year window.

Yet while common sense tells us that investing in educating our children, keeping them healthy and safe, and getting check-ups to treat disease early are invaluable for a family's success and to the country as a whole, the CBO says this is all a cost and misses the value because of how it limits its scoring.

Any parent who is sacrificing financially for his or her children for school or college today, or anyone who has seen a relative suffer from a chronic health problem, knows firsthand how early investments are often needed for lifelong gains.

But consider what CBO's narrow method of scoring means for our children:

- An investment in covering any of the nine million uninsured children in this country is scored as pure cost, unless the savings occur while they are still children – despite the obvious long-term importance of ensuring that our children get off to a healthy start in life.

- An investment in confronting the epidemic of childhood obesity is scored only as an added cost, in spite of the long-term value of avoiding the overwhelming financial burden that would otherwise be borne by individuals and our nation as a whole – to say nothing of the increased value our society gains by having children grow into healthy and productive adults.

- Our children's lives are affected by where they live, learn, work, or play, and an investment is minimized because much of its benefit occurs on a longer-term horizon. If we neglect to include the value of making sure children grow up in safe neighborhoods, we will later pay the price (and include the costs) to build prisons to house them as adults if their lives go off track.

If what we score reflects what we value, then I am afraid our values with regard to our children have been misplaced for the last several decades as we have scaled back our investments in our children. And so our children have lost ground in health and educational attainment relative to other countries – our current competitors and, more importantly, those future competitors our children will have to succeed against.

I am a fan of Richard Thaler and Cass Sunstein's book *Nudge*, which shows how seemingly small decisions can have big ramifications and how as a society we are sometimes unaware of how choices are being made for us by default. The CBO ten-year accounting rule is a perfect example. It pushes our leaders away from counting what matters – the improved well-being of our children – simply because it may take a little longer for these investments to "pay off."

We know infinitely more now than we did when the CBO was created. And while our increased knowledge doesn't mean we can predict the future with 100 percent accuracy, we certainly know enough to make more informed decisions in particular, about what our children's future will look like if we continue to make short-range and short-sighted decisions.

Consider the following examples:

- A short time horizon (like that used by CBO) hurts us in thinking about our nation's children and how to give them the best possible chance for a successful life when their opportunities are compromised by poor beginnings. Take the Nurse Family Partnership program where poor single mothers get visits by nurses to help with their babies for the first two years only. Well, the long-term findings are nothing short of spectacular. Participating children do better healthwise and in school, and even have less trouble as teens with the juvenile justice system. And this latter effect is so powerful that a large part of the economic benefit found in those studies was from lower costs of the court and justice system ... but those benefits occur too far out to be counted by the CBO. Wouldn't we be better off building families than building jails? Not if CBO scored the investment.

- A recent study from the University of Chicago, published by *Health Affairs*, presents results that combine the economic approach with epidemiologically based data to project federal costs for diabetes under alternative policies. The research's authors developed a model, based on published clinical trial data, that captures the expenses of diabetes prevention and management along with cost reductions over ten-year and 25-year periods. They found that an investment in early, aggressive treatment for diabetes has payoffs in reduced complications, with a significant amount of the health (and hence economic) value accruing well after the usual ten-year CBO window.
- And finally, we're learning more every day about how investments in education pay off in the long-term – for both health and economic productivity.

Having worked in government, I have high regard for civil servants who have to make difficult decisions and am aware of the restrictions of bureaucratic rules, such as those placed on the CBO. I also appreciate the difficulty of assessing accurately the return of investments beyond a ten-year horizon.

But as a doctor, and more specifically a pediatrician, I know these truths to be self-evident: a society that fails to invest in its children cannot flourish and will not last.

It is time to reconsider rules like CBO's ten-year limit, especially when related to children. We need to make it easier for our political leaders to support long-term solutions.

During the healthcare debate, the CBO's estimate of the projected price tag for the original bill over ten years almost grounded the prospects of real reform to a halt.

Ultimately, the CBO did provide estimates on the costs of the legislation beyond the ten-year horizon – changing the cost estimate greatly and showing the lowered effect on the deficit – at the request of government and other leaders. By including projections for the bill's impact over two decades, the CBO provided valuable information to help legislators evaluate the real short- and long-term economic value and costs of the legislation.

But this exception that was made during the health reform debate should become the rule when evaluating legislation and budget decisions that impact our children.

So when school districts across the country cut 300,000 teachers, let us not ask simply what the savings will be but also what the price will be for the millions of children who will lose, irrevocably, some of their ability to read and do math. I said irrevocably because we all know that educational skills build on one another; they accumulate and serve as the base for learning more difficult, more job-valuable skills later. Similarly, when we don't provide children with health insurance, what will we say to the asthmatic child who will miss more time in school and fall behind, never to catch up?

Advocates for children will often make the moral case for taking care of our children first. I agree that there is a moral imperative, but the long-term economic value of helping our children has been badly undervalued. We have treated the costs of helping our children too often as if they were economic losses, not highly productive investments, because we have taken a short-term view. Currently, the system is set up to push our leaders away from instead of toward investing in America's most valuable asset, our children. Maybe they and the CBO need more than a gentle nudge but a strong push from Americans who already see that these investments are not only the right thing to do, but the smart thing as well. "This land is our land" only as long as our children are given the opportunity to succeed. And when we sing "This land was made for you and me" to our kids, let's remember that the "you" means them, and act accordingly.

Further Reading:

[1] Fact sheet "About Us" available at http://www.cbo.gov/aboutcbo/factsheet.cfm.