

An Economic Relief Plan to Lessen Financial Strain– Associated Illness in Children During The COVID-19 Pandemic

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Lucy E. Marcil, MD, MPH, Boston Medical Center and Boston University School of Medicine

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Lucy Marcil, MD, MPH, is a general pediatrician at the Boston University School of Medicine. Dr. Marcil's work focuses on how we can improve child and family health by reducing or even eliminating child poverty. In 2018, Dr. Marcil published a report in *Pediatrics* about how free tax services located within pediatrics clinics could help families get access to money they are owed due to the [Earned Income Tax Credit](#). In this blog, Dr. Marcil provides timely information regarding cash benefits to families through the stimulus package passed by Congress in response to the COVID-19 pandemic. Please consider what this means for the patients in your care, whether or not they have been exposed to the novel coronavirus.

– Alex R. Kemper, MD, MPH, MS; Deputy Editor, *Pediatrics*

Background: the risk to child health of financial strain

Even before the COVID-19 pandemic, children were [disproportionally likely to live in poverty](#), which is associated with a [shortened life expectancy](#). Children are particularly vulnerable to financial strain and deserve protection during this unprecedented pandemic. Children in low-income households spend [more days hospitalized](#) than their higher-income household counterparts. For perspective, the stock market fluctuations during the 2008 Great Recession, [mediated by the financial impact on parents](#). In addition to direct financial strain, children now face the burden of school closures, which [can exacerbate food insecurity](#) and threaten educational ascertainment, and stay-in-place orders which [could also adversely affect](#) developmental and behavioral health.

A missed opportunity to provide cash transfers to mitigate the economically-driven health impacts of the pandemic

Although addressing financial strain and poverty is challenging, we do have a tool—cash transfers—to provide immediate relief. The National Academies of Science, Engineering, and Medicine, which has [called for policies to halve the child poverty rate](#) over the next decade, found that increasing cash transfers was one of the only policy levers available to reach that goal.

Cash transfers improve health. The Earned Income Tax Credit, a cash transfer, has been **associated with** decreased preterm birth, food insecurity, maternal depression, rates of accidental injuries; lowered inflammatory markers; increased birthweight and high-density lipoprotein; improved child behavior; and **lower risk of suicide**.

Congress just passed the largest ever stimulus package (**CARES Act**), at \$2 trillion. Unfortunately, this economic relief package falls short of protecting children. The bill provides a direct cash transfer of up to **\$1,200**, with an additional \$500 per child. The exact amount varies based on **income, filing status, and number of children**. This plan is at risk of leaving out the most vulnerable families and provides insufficient support for children.

Leaving out the most vulnerable

To receive this cash transfer, families must have filed taxes in 2018 or 2019, have their direct deposit account on file, and have an SSN. Low-income families are **more likely to have not filed taxes** (only required for incomes **over \$12,000**) and are more likely to be **unbanked**. **Every member of a family must have a social security number**; children who have one but whose parents do not will miss out.

Additionally, the bill fails to take into account impending income volatility. It bases eligibility on 2018 or 2019 income rather than 2020. Those with past income exceeding the limits will not receive a payment, even if they become un- or under-employed in 2020, until they file their 2020 taxes in 2021. That will be too late. Finally, those who had a change in life circumstance, such as a new baby or lower-paying job in 2019 compared to 2018, will not receive their full benefit if they have not yet filed their 2019 return (deadline: July 15, 2020). These subtle but important points create hurdles to accessing much needed cash for the most vulnerable.

Current rate	Proposed rate	For head of household, taxable income over	Increase in tax paid
10%	10%	\$0	\$0
12%	12%	\$14,100	\$0
22%	22%	\$53,700	\$0
24%	26.2%	\$85,500	\$0-\$1,700
32%	32%	\$163,300	\$0
35%	35%	\$207,350	\$0
37%	37%	\$518,400	\$0

Source: author's analysis

A more equitable approach would have been to provide an upfront cash transfer to all to buffer against economic volatility. A temporary increase in the marginal tax rate for 2020 would recoup these funds in 2021 from families who ultimately do not end up in need. For example, for a parent with one child, the 24% tax bracket would increase to 26.2% for 2020 only to fade out the benefit between incomes of \$85,500 and \$163,299 (Table 1). The extra income tax would cancel out the cash transfer from

earlier in the year. However, they would have benefited from the equivalent of a zero-interest loan during the year, which would stimulate the economy.

Insufficient support for children

Five hundred dollars is insufficient support for children. The National Academies of Science, Engineering, and Medicine identified that a cash transfer of \$3,000 per child per year, given out as a \$250 monthly benefit, is one of the only policy levers that **could halve the child poverty rate** (prior to the pandemic). The child poverty rate will almost certainly increase during the pandemic, but a larger cash transfer could keep it from increasing dramatically. **Periodic payments** smooth out income fluctuations and minimize families' reliance on debt. The US currently **devotes 0.1% of its gross domestic product to cash transfer payments, the lowest of any Organization for Economic Co-operation and Development country**. Prioritizing our most vulnerable population—children—by shifting more cash to them would be a just decision-making framework.

Conclusion

As of March 31st, the US has **over 163,000 COVID-19 cases and 2,860 deaths**. The CDC predicts as many

as 1.7 million deaths before the pandemic wanes. Stronger economic supports, including cash benefits, to economically vulnerable children and families could prevent additional deaths and improve health and wellbeing for millions of Americans during the COVID-19 pandemic and associated economic recession.

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- [Epidemiological Characteristics of 2143 Pediatric Patients With 2019 Coronavirus Disease in China](#)
- [COVID-19 in Children: Initial Characterization of the Pediatric Disease](#)
- [Neonatal Management During the Coronavirus Disease \(COVID-19\) Outbreak: The Chinese Experience](#)
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