

# **Child Abuse Prevention and Treatment: Economic Development with a High Public Return**

**David Cleary**

*Cleary & Oxford Associates*

*Suite 200*

*603 King Street*

*Alexandria, VA 223*

**Invest in Kids Working Group**

Partnership for America's Economic Success

Committee for Economic Development

Toyota Corporation

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# The Problem

To convince business leaders, public officials, and program funders, child development programs must demonstrate that they –

1. Are focused on maximizing every child's opportunity to have a successful life
2. Will provide parents and families with choice and options
3. Are based on rigorous evidence of program success, best practices and can adapt as new evidence becomes available
4. Have clear metrics, accountability, and performance evaluation
5. Are scalable and make good use of private incentives

## The Solution

1. Document high economic returns, as well as, high social and personal returns
2. Involve and strengthen parents and families and their relationships with children
3. Use techniques and approaches that have strong evidence of success
4. Set clear goals and evaluate whether they are being achieved
5. Organize so as to benefit from private incentives and grow statewide and nationally

# **Child Abuse Prevention is an Economic Growth Strategy with High Public Returns**

- A great many published studies document the high economic returns of child abuse prevention and treatment programs
- I take key findings of these studies and, from my perspective as an investment banker, determine an approximate internal rate of return for certain effective programs
- This work is preliminary and solely intended to give an example of how child abuse benefit/cost data can be analyzed from an investor perspective.
- This analysis indicates that child abuse prevention and treatment programs may have an internal rate of return well above 30% after ten years. Deeper analysis and independent corroboration are needed.

# **Initial Observations on the Public Economic Costs of Child Abuse**

Innumerable scientific studies have documented the link between the abuse and neglect of children and a wide range of medical, emotional, psychological and behavioral disorders.

For example, abused and neglected children are more likely to suffer from depression, alcoholism, drug abuse and severe obesity.

They are also more likely to require special education in school and to become juvenile delinquents and adult criminals.

# Public Economic Costs of Child Abuse

Prevent Child Abuse (PCA) America places the US public economic costs of child abuse in one of two categories: direct (those costs associated with the immediate needs of abused or neglected children) and indirect (those costs associated with the long-term and/or secondary effects of child abuse and neglect).

The data cited by PCA in the following pages was drawn from a variety of sources, including the Department of Health and Human Services, the Department of Justice, the U.S. Census and others. Appropriate data citations are included throughout the report.

In all instances, PCA opted to use conservative estimates. For instance, only children who could be classified as being abused or neglected according to the harm standard were included in the analysis. The harm standard is the U.S. Department of Health and Human Services' more stringent classification category. In addition, PCA did not attempt to quantify all of the indirect costs of abuse and neglect including, for example, the provision of Welfare benefits to adults whose economic condition is a direct result of the abuse and neglect they suffered as children. For this reason, PCA believes the estimate of \$94 billion per year is conservative.

**Total Annual Cost of Child Abuse and Neglect in the United States**  
**DIRECT COSTS**  
 Statistical Justification Data

<b>Direct Costs</b>	<b>Estimated Annual Cost</b>
<b>Hospitalization</b> <i>Rationale: 565,000 children were reported as suffering serious harm from abuse in 1993<sup>1</sup>. One of the less severe injuries is a broken or fractured bone. Cost of treating a fracture or dislocation of the radius or ulna per incident is \$10,983<sup>2</sup>.                      Calculation: 565,000 x \$10,983</i>	<b>\$6,205,395,000</b>
<b>Chronic Health Problems</b> <i>Rationale: 30% of maltreated children suffer chronic medical problems<sup>3</sup>. The cost of treating a child with asthma per incident in the hospital is \$6,410.                      Calculations: .30 x 1,553,800 = 446,140; 446,140 x \$6,410</i>	<b>2,987,957,400</b>
<b>Mental Health Care System</b> <i>Rationale: 743,200 children were abused in 1993<sup>4</sup>. For purposes of obtaining a conservative estimate, neglected children are not included. One of the costs to the mental health care system is counseling. Estimated cost per family for counseling is \$2,860<sup>5</sup>. One in five abused children is estimated to receive these services.                      Calculations: 743,200/5 = 148,640; 148,640 x \$2,860</i>	<b>425,110,400</b>
<b>Child Welfare System</b> <i>Rationale: The Urban Institute published a paper in 1999 reporting on the results of a study it conducted estimating child welfare costs associated with child abuse and neglect to be \$14.4 billion<sup>6</sup>.</i>	<b>14,400,000,000</b>
<b>Law Enforcement</b> <i>Rationale: The National Institute of Justice estimates the following costs of police services for each of the following interventions: child sexual abuse (\$56); physical abuse (\$20); emotional abuse (\$20) and child educational neglect (\$2)<sup>7</sup>. Cross referenced against DHHS statistics on number of each incidents occurring annually<sup>8</sup>.                      Calculations: Physical Abuse – 381,700 x \$20 = \$7,634,000; Sexual Abuse – 217,700 x \$56 = \$12,191,200; Emotional Abuse – 204,500 x \$20 = \$4,090,000; and Educational Neglect – 397,300 x \$2 = \$794,600</i>	<b>24,709,800</b>
<b>Judicial System</b> <i>Rationale: The Dallas Commission on Children and Youth determined the cost per initiated court action for each case of child maltreatment was \$1,372.34<sup>9</sup>. Approximately 16% of child abuse victims have court action taken on their behalf.                      Calculations: 1,553,800 cases nationwide<sup>10</sup> x .16 = 248,608 victims with court action; 248,608 x \$1,372.34</i>	<b>341,174,702</b>
<b>Total Direct Costs</b>	<b>\$24,384,347,302</b>

<sup>1</sup> Sedlak, A. & Broadhurst, D. (1996). The Third National Incidence Study of Child Abuse and Neglect: NIS 3. U.S. Department of Health and Human Services.

<sup>2</sup> HCUPnet (2000). Available on-line at <http://www.ahrq.gov/data/hcup/hcupnet.htm>.

<sup>3</sup> Hammerle (1992) as cited in Myles, K.T. (2001) Disabilities Caused by Child Maltreatment: Incidence, Prevalence and Financial Data.

<sup>4</sup> Sedlak, A. & Broadhurst, D. (1996). The Third National Incidence Study of Child Abuse and Neglect: NIS 3. U.S. Department of Health and Human Services.

<sup>5</sup> Daro, D. Confronting Child Abuse (New York, NY: The Free Press, 1988).

<sup>6</sup> Geen, Waters Boots and Tumlin (March 1999). The Cost of Protecting Vulnerable Children: Understanding Federal, State, and Local Child Welfare Spending. The Urban Institute.

<sup>7</sup> Miller, T., Cohen, M. & Wiersema (1996). Victims' Cost and Consequences: A New Look. The National Institute of Justice. Available on-line at [www.nij.com](http://www.nij.com).

<sup>8</sup> Sedlak, A. & Broadhurst, D. (1996). The Third National Incidence Study of Child Abuse and Neglect: NIS 3. U.S. Department of Health and Human Services.

<sup>9</sup> Dallas Commission on Children and Youth (1988). A Step Towards a Business Plan for Children in Dallas County: Technical Report Child Abuse and Neglect. Available on-line at [www.ccgd.org](http://www.ccgd.org).

<sup>10</sup> Sediak, A. & Broadhurst, D. (1996). The Third National Incidence Study of Child Abuse and Neglect: NIS 3. U.S. Department of Health and Human Services.

**Total Annual Cost of Child Abuse and Neglect in the United States**  
**INDIRECT COSTS**  
 Statistical Justification Data

<b>Indirect Costs</b>	<b>Estimated Annual Cost</b>
<b>Special Education</b> <i>Rationale: More than 22% of abused children have a learning disorder requiring special education<sup>11</sup>. Total cost per child for learning disorders is \$655 per year. Calculations: 1,553,800<sup>12</sup> x .22 = 341,386; 341,386 x \$655</i>	<b>\$223,607,830</b>
<b>Mental Health and Health Care</b> <i>The health care cost per woman related to child abuse and neglect is \$8,175,816/163,844=\$50<sup>13</sup>. If the costs were similar for men, we could estimate that \$50 x 185,105,441<sup>14</sup> adults in the U.S. cost the nation \$9,255,272,050. However, the costs for men are likely to be very different and a more conservative estimate would be half of that amount.</i>	<b>4,627,636,025</b>
<b>Juvenile Delinquency</b> <i>Rationale: 26% of children who are abused or neglected become delinquents, compared to 17% of children as a whole<sup>15</sup>, for a difference of 9%. Cost per year per child for incarceration is \$62,966. Average length of incarceration in Michigan is 15 months<sup>16</sup>. Calculations: 0.09 x 1,553,800<sup>17</sup> = 139,842; 139,842 x \$62,966 = \$8,805,291,372</i>	<b>8,805,291,372</b>
<b>Lost Productivity to Society</b> <i>Rationale: Abused and neglected children grow up to be disproportionately affected by unemployment and underemployment. Lost productivity has been estimated at \$656 million to \$1.3 billion<sup>18</sup>. Conservative estimate is used.</i>	<b>656,000,000</b>
<b>Adult Criminality</b> <i>Rationale: Violent crime in U.S. costs \$426 billion per year<sup>19</sup>. According to the National Institute of Justice, 13% of all violence can be linked to earlier child maltreatment<sup>20</sup>. Calculations: \$426 billion x .13</i>	<b>55,380,000,000</b>
<b>Total Indirect Costs</b>	<b>\$69,692,535,227</b>
<b>TOTAL COST</b>	<b>\$94,076,882,529</b>

<sup>11</sup> Hammerle (1992) as cited in Daro, D., *Confronting Child Abuse* (New York, NY: The Free Press, 1988).

<sup>12</sup> Sedlak, A. & Broadhurst, D. (1996). *The Third National Incidence Study of Child Abuse and Neglect: NIS 3*. U.S. Department of Health and Human Services.

<sup>13</sup> Walker, E, Unutzer, J., Rutter, C., Gelfand, A. Saunders, K., VonKorff, M. Koss, M. & Katon, W. (1997). Cost of Health Care Use by Women HMO Members with a History of Childhood Abuse and Neglect. *Arc General Psychiatry*, Vol 56, 609-613.

<sup>14</sup> US Census. Available on-line at [www.census.gov](http://www.census.gov).

<sup>15</sup> Widom (2000). *The Cycle of Violence*. Available on-line. U.S. Department of Justice, National Institute of Justice.

<sup>16</sup> Caldwell, R.A. (1992). *The Costs of Child Abuse vs. Child Abuse Prevention: Michigan's Experience*. Michigan Children's Trust Fund and Michigan State University.

<sup>17</sup> Sedlak, A. & Broadhurst, D. (1996). *The Third National Incidence Study of Child Abuse and Neglect: NIS 3*. U.S. Department of Health and Human Services.

<sup>18</sup> Widom (2000). *The Cycle of Violence*. Available on-line. U.S. Department of Justice, National Institute of Justice.

<sup>19</sup> *Trends to Watch: 1998 and Beyond: Readers Digest*. Ministry Development Division: Washington D.C, 1998.

<sup>20</sup> Miller, T., Cohen, M. & Wiersema (1996). *Victims Cost and Consequences: A New Look*. The National Institute of Justice. Available on-line at [www.nij.com](http://www.nij.com).

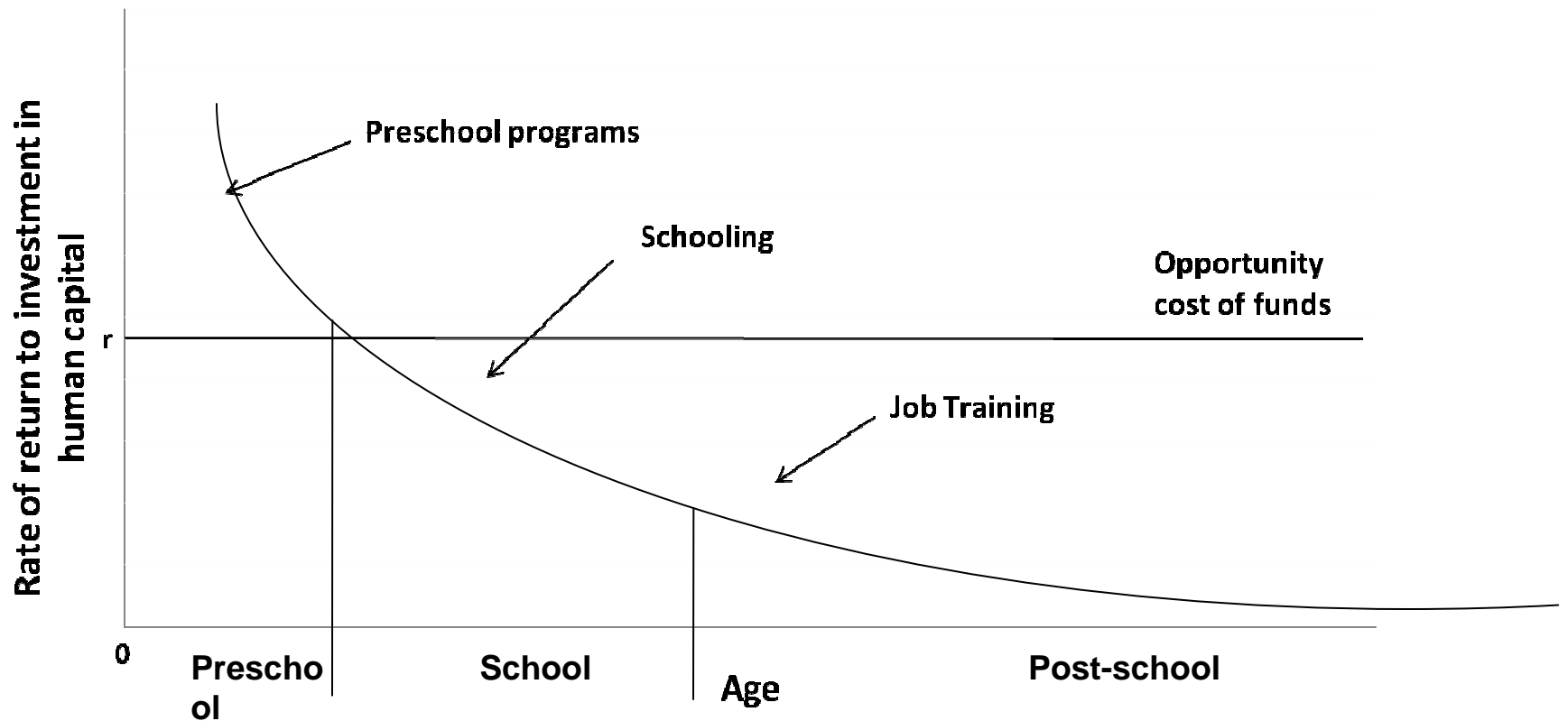
# Early Development and Education and Child Abuse Prevention Benefit/Cost Studies

1. Heckman, James, *Investing in Disadvantaged Young Children is an Economically Efficient Policy*, Committee for Economic Development / Pew Charitable Trusts / PNC Financial Services Group Forum, New York, January 10, 2006.
2. Hopper, Jim, Ph.D. (2007). *Child Abuse Statistics, Research, and Resources*. Available on-line at <http://www.jimhopper.com/abstats/>
3. Isaacs, Julia B.(2007). *Cost-Effective Investments in Children*, The Brookings Institution, Washington D.C.
4. Prevent Child Abuse America, report (2001). *Total Annual Cost of Child Abuse and Neglect in the United States*. Published by PCA America, Chicago, IL.
5. Rolnick, Art, and Grunewald, Rob. *Early Childhood Development: Economic Development with a High Public Return*. Federal Reserve Bank of Minneapolis study, March, 2003.
6. Schweinhart, Lawrence J. (2003). *Benefits, Costs, and Explanation of the High/Scope Perry Preschool Program*.
7. S. Aos, R. Lieb, J. Mayfield, M. Miller, A. Pennucci. (2004) *Benefits and Costs of Prevention and Early Intervention Programs for Youth*. Olympia: Washington State Institute for Public Policy.
8. W. Dickens, I. Sawhill, J Tebbs. (2006) *The Effects of Investing in Early Education on Economic Growth*. The Brookings Institution, Washington D.C.

## **Child Development and Abuse Prevention Benefit/Cost Studies**

Virtually all analyses seem to indicate that the earlier in a child's life a prevention program is initiated, the more effective it is in economic terms

# Rates of Return to Investment in Human Capital



Source: Heckman, James, *Investing in Disadvantaged Young Children is an Economically Efficient Policy*, Committee for Economic Development / Pew Charitable Trusts / PNC Financial Services Group Forum, New York, January 10, 2006.

# Underlying Data for the IRR Calculation

Julia Isaacs showed benefit-cost ratios of early childhood education programs for low-income children ranged from 3.23 to 17.14. *Cost-Effective Investments in Children* (2007). The Brookings Institution, Washington DC.

Prevent Child Abuse America documented a wide range of public economic costs. *Total Annual Cost of Child Abuse and Neglect in the United States* (2001). Published by PCA America, Chicago, IL.

“Life cycle formation is a dynamic process where early inputs greatly affect the productivity of later inputs in the lifecycle of children. Skill begets skill; motivation begets motivation. Early failure begets later failure. . . Early interventions have high benefit-cost ratios and rates of return.”

Heckman, James, *Investing in Disadvantaged Young Children is an Economically Efficient Policy*, Committee for Economic Development / Pew Charitable Trusts / PNC Financial Services Group Forum, New York, January 10, 2006.

Based on those and similar papers, along with conversations and meetings with providers and other experts, and with data from PCA America, we estimate the costs and savings of programs used in an IRR calculation. Many of the figures are estimates only for which there are no available independently confirmed statistics.

# Data from PCA America

## Investments in these areas

**Pre-natal programs** - modeled after the SIDS prevention program of NIH

**New mother instruction** - provides in-hospital, modeled after programs in Buffalo and St. Paul

**Grades 8-12 curriculum** - similar to family life studies used in several states

**Media/public education** - similar to ones sponsored by the Ad Council of America and PCA America

## Savings in these areas

**Hospitalization** - over 500,000 children are treated annually for abuse injuries

**Chronic Health Problems** - 30% of abused children suffer chronic medical problems

**Mental Health Care System** - one in five abused children requires counseling

**Child Welfare System** - the Urban Institute estimates child welfare costs exceed \$14 billion

**Law Enforcement** - the National Institute of Justice estimates police services cost \$24 billion

**Judicial System** - court costs from child abuse estimated at over \$340 million

**Juvenile Delinquency** - 26% of abused children become delinquents

**Lost Productivity** - Nat. Ins. of Justice estimates abuse costs \$650 million in lost productivity

**Adult Criminality** - 13% of violent crime can be linked to early child maltreatment

Source: Prevent Child Abuse America, report (2001). *Total Annual Cost of Child Abuse and Neglect in the United States*. Published by PCA America, Chicago, IL.

# Investment Rate of Return Calculation

## Internal Rate of Return Calculation

Investments in 2007 dollars

Year	year 1	year 2	year 3	year 4	year 5	year 6	year 7	year 8	year 9	year 10
Pre-Natal Programs (a)	\$ 10,000,000	\$ 10,000,000	\$ 5,000,000	\$ 1,000,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
New Mother Instruction (b)	\$ 5,000,000	\$ 5,000,000	\$ 4,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Grades 8 -12 Curriculum (c )	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000	\$ 500,000
Media/Public Ed (d)	\$ 40,000,000	\$ 25,000,000	\$ 20,000,000	\$ 15,000,000	\$ 10,000,000	\$ 10,000,000	\$ 5,000,000	\$ 4,000,000	\$ 2,000,000	\$ 2,000,000
Yearly Investment	(60,000,000)	(45,000,000)	(34,000,000)	(20,000,000)	(14,500,000)	(14,500,000)	(9,500,000)	(7,500,000)	(5,500,000)	(5,000,000)

Savings	year 1	year 2	year 3	year 4	year 5	year 6	year 7	year 8	year 9	year 10
Hospitalization	\$ -	\$ 1,000,000	\$ 5,000,000	\$ 10,000,000	\$ 30,000,000	\$ 50,000,000	\$ 70,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000
Chronic Health Problems	\$ -	\$ -	\$ -	\$ 500,000	\$ 1,000,000	\$ 2,000,000	\$ 5,000,000	\$ 10,000,000	\$ 20,000,000	\$ 40,000,000
Mental Health Care System	\$ -	\$ -	\$ -	\$ -	\$ 500,000	\$ 1,000,000	\$ 2,000,000	\$ 4,000,000	\$ 6,000,000	\$ 6,000,000
Child Welfare System	\$ -	\$ 3,000,000	\$ 5,000,000	\$ 10,000,000	\$ 40,000,000	\$ 50,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 150,000,000
Law Enforcement	\$ -	\$ 50,000	\$ 50,000	\$ 80,000	\$ 120,000	\$ 200,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Judicial System	\$ -	\$ 1,000,000	\$ 3,000,000	\$ 5,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000
Juvenile Delinquency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lost Productivity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adult Criminality	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Yearly Savings	0	5,050,000	13,050,000	25,580,000	78,620,000	110,200,000	184,300,000	221,300,000	233,300,000	303,300,000

30 Year IRR = 49%	(60,000,000)	(39,950,000)	(20,950,000)	5,580,000	64,120,000	95,700,000	174,800,000	213,800,000	227,800,000	298,300,000
IRR at any given Year	-	-	-	-	-16%	8%	25%	34%	39%	42%

# Summary IRR Calculations

<i>Projects Funded</i>	<b>Avg. Cost per year During the Periods</b>			
	Year 1 - 6	Year 7 - 10	Year 11 - 20	Year 21 - 30
Pre-Natal Programs (a)	\$ 4,500,000	\$ 500,000	\$ 470,000	\$ 200,000
New Mother Instruction (b)	\$ 3,333,333	\$ 2,000,000	\$ 2,000,000	\$ 200,000
Grades 8 -12 Curriculum (c)	\$ 3,500,000	\$ 1,125,000	\$ 500,000	\$ 200,000
Media/Public Ed (d)	\$ 20,000,000	\$ 3,250,000	\$ 230,000	\$ 200,000
Cummulative Spent	\$ 31,333,333	\$ 6,875,000	\$ 3,200,000	\$ 800,000

<i>Savings</i>	<b>Avg. Savings per year During the Periods</b>			
	Year 1 - 6	Year 7 - 10	Year 11 - 20	Year 21 - 30
Hospitalization	\$ 16,000,000	\$ 92,500,000	\$ 112,000,000	\$ 121,200,000
Chronic Health Problems	\$ 583,333	\$ 18,750,000	\$ 52,000,000	\$ 60,000,000
Mental Health Care System	\$ 250,000	\$ 4,500,000	\$ 7,800,000	\$ 8,000,000
Child Welfare System	\$ 18,000,000	\$ 112,500,000	\$ 184,000,000	\$ 272,000,000
Law Enforcement	\$ 83,333	\$ 300,000	\$ 400,000	\$ 500,000
Judicial System	\$ 3,833,333	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000
Juvenile Delinquency	\$ -	\$ -	\$ 91,050,000	\$ 120,000,000
Lost Productivity	\$ -	\$ -	\$ 400,000	\$ 11,600,000
Adult Criminality	\$ -	\$ -	\$ 9,500,000	\$ 548,000,000
Cummulative Saved	\$ 38,750,000	\$ 235,550,000	\$ 464,150,000	\$ 1,148,300,000

<i>Results</i>	<b>Cummulative</b>			
	Year 1 - 6	Year 1 - 10	Year 1 - 20	Year 1 - 30
Cummulative Spent	\$ 188,000,000	\$ 215,500,000	\$ 247,500,000	\$ 255,500,000
Cummulative Saved	\$ 232,500,000	\$ 1,174,700,000	\$ 5,816,200,000	\$ 17,299,200,000
IRR=	8%	42%	48%	49%

# Prevention Programs

- What is the most effective early childhood program that will maximize the number of children served?
- It's informative to look at two current public programs and one private sector model
  - Healthy Families America (Public)
  - Hampton, VA city run program (Public)
  - Healthways Inc. (Private)

# Healthy Families America (Public)

- Home visits to new mothers regularly, generally until child is in preschool, though many drop out within first year
- Child's progress is tracked until 19 years old
- With \$15 million grant from Freddie Mac, HFA trained 80 trainers, who trained 3,000 workers
- Now in 415 cities
- HFA assesses 80,000 families, works with 50,000

# Healthy Families America (Public)

HFA has had many evaluation studies. A program beginning with the child's birth involving 164 families in Washington DC over a 3 year period had these results.

95% of children were up to date with their immunizations compared to the national average of just 78%

94% of children were linked with a healthcare provider/insurance, exceeding the national average of 89%.

100% of the families were advised about education opportunities such as private, public and charter schools, scholarship opportunities.

# Hampton, VA (City program)

- Recognized as one of best programs in the U.S.
- Work with 900 families, 45 new ones per month
- Cover 80% of the 2,000 babies born in Hampton each year
- Visit each family every week for first year and half
- Ensure baby has inoculations and medical needs, help family with housing and employment and other issues
- Program has 40 workers (\$28,000 salary), 10 supervisors (\$37,000 salary), 5 team leaders, 2 managers.
- Total budget is \$3.7 million (Title 4E money was eliminated recently)

# Hampton, VA (City program)

Over 4 years, 600 women who received service at the Hampton Health Department were assessed as needing supportive home visitation services. 174 were assigned to a comparison group, which received the full range of normal health department services. Of the remaining 426 mothers, 393 (92%) were enrolled in the Healthy Start program. 87% were unmarried and 85% were Medicaid eligible.

Relative to a comparison group, high-risk pregnancies were reduced. 85% of program mothers had no pregnancy risk factors after 4 years. Delivery risk factors and birth complications were decreased.

92% of the children were immunized compared to the state average of 69%.

The rate of repeat teen births was reduced to 8% among program participants, compared to a city wide rate of 36% and state wide rate of 30%.

# Healthways Inc. (Private)

- Provides personal interactions with health-care professionals to create and sustain healthier behaviors
- Motivates members to set attainable goals for themselves
- Has a variety of wellness programs and programs for specific issues, e.g. for smoking cessation, obesity, diabetes & older adult fitness.
- Is limited now to medical needs
- Charges employers per employee
- Has revenues of \$600 million
- Has a pilot program with Medicare covering 20,000 patients with target of reducing their medical costs by 5%
- Corporate structure is applicable to child abuse prevention programs
- Has considered a program with Medicaid

# Sound Child Abuse Prevention and Treatment Programs Meet Tests for Funding

Good programs, such as those we have reviewed:

1. Have high proven economic returns, as well as high social and personal returns to each child
2. Involve and strengthen parents and families and their relationships with children
3. Use techniques and approaches that have strong evidence of success
4. Have clear goals and evaluate whether they are being achieved
5. Are organized to benefit from private incentives and grow statewide and nationally

# What is Our Conclusion?

Whether in a public or privately operated format, investing in child abuse prevention and treatment is an expenditure that offers an investment rate of return of 30% or more within ten years.

Public provision of child abuse prevention and treatment facilities is fiscally wise.

Private provision of such services can be done profitably.