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[The mysterious cost of Medicaid reform](#)

March 14, 2011

By Melissa Leu

SPRINGFIELD — About a year after the federal government passed historic reforms to health care, Illinois is still grappling over what its own Medicaid system will cost after the dust settles.

In 2020, Illinois could be spending anywhere from \$200 million to \$9.1 billion for the addition of thousands of new enrollees, according to estimates from the [Department of Healthcare and Family Services](#) and independent studies.

The [Affordable Care Act](#) — signed into law in March 2010 — requires the federal government to cover 100 percent of states' initial costs to cover newly eligible enrollees from 2014 to 2016. That number steadily decreases to 90 percent in 2020.

Coverage for those who were eligible before the reforms will continue to be matched at the current rate. In 2009, that rate was 61.9 percent for Illinois.

[Illinois Health Care Reform Implementation Council](#) estimates that the state is expected to add between 500,000 to 800,000 Medicaid enrollees between 2014 and 2016.

["It's an open question as to whether state spending will go up," said Stan Dorn, senior fellow at the Urban Institute. "\(But\) I think it's pretty clear that smart states will generally be able to come out ahead and see their spending on low-income people's health care goes down as federal spending goes up."](#)

According to the [Congressional Budget Office](#), the federal government expects to spend \$541.7 billion nationally in Medicaid payments in 2020.

But the answer to what Illinois will spend is still up for grabs.

DHFS spokesman Mike Claffey believes the number will be about \$200 million compared to the federal government's expected \$2 billion state tab.

"The Department and the legislators on the Reform Commission have gone to great lengths to make sure we are doing everything we can to rein in spending well in advance," Claffey said.

Jagadeesh Gokhale, a senior fellow at [Cato Institute](#), believes the cost will be significantly higher and eventually "squeeze other services."

In his [working paper](#), Gokhale detailed Medicaid expenditure growth in the five most populous states in the U.S., and estimated that Illinois will spend \$9.1 billion in 2020.

Total costs between 2014 and 2019, may range somewhere between \$1.2 billion to \$2.5 billion, according to a February [study](#) prepared by the Urban Institute and published by the Kaiser Family Foundation.

[“One of the key variables in a lot of assumptions about what the impact of health care reform is going to be on the states is how many people will sign up and participate,”](#) said Robin Rudowitz, a policy analyst for Kaiser.

Gokhale called those estimates way off, citing \$86 billion between 2014 and 2023.

[Adding four years to the estimate "I think is a small part of the explanation. The other part is I'm looking at all the detailed trends in each category, which I don't think \(other studies\) do,"](#) said Gokhale, who noted that the Kaiser's study relied too heavily on broad estimates from the Congressional Budget Office.

Gokhale, instead, based his participation rates on historical trends, looking closely at the number of newly eligible enrollees and those who are already eligible but aren't enrolled. "Old eligibles" make up about 40 percent of new participants in his study.

January Angeles, a senior policy analyst at the [Center on Budget and Policy Priority](#), however, backs Kaiser's numbers, disagreeing with Gokhale's methodology.

"Generally the Cato's numbers are fairly inflated. They're much higher, because they assume much higher rates of enrollment among those who might be eligible,"

said Angeles.

Other studies have shown that Medicaid reform may even be a net cost-savings measure for states. In addition to collecting funds for new participants, states could gain from federal dollars flowing in for uncompensated care and mental health insurance, Dorn said.

Although states as a whole could potentially save between \$40.6 billion and \$131.9 billion, some individual states might lose out, according to Dec. 2010 report by the Urban Institute.

Angeles echoed that potential.

"It's got to be a long term vision," Angeles said. "There are many other benefits that may not result in immediate state savings, but they are necessary to reduce the growth of health care costs over time."

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