

Cato economist says only certainty in Obamacare is ‘utter chaos’

By Travis Perry - February 19, 2013

With President Obama’s Affordable Care Act no longer in doubt, state governments are working furiously to get a handle on what it will mean to expand healthcare to millions of Americans.

In Kansas, the debate has spurred a handful of studies from an array of organizations, each reading the proverbial tea leaves and developing their own conclusion. But with so many experts offering such varied predictions, very little is actually certain.

“What’s going to happen is utter chaos,” said Jagadeesh Gokhale, senior fellow with the libertarian-leaning Cato Institute.

Speaking before a crowd of legislators, media and policy analysts on Tuesday, Gokhale was joined by Scott Brunner, senior analyst for the Kansas Health Institute, and Kari Bruffett, director of the Division of Public Health for the Kansas Department of Health and Environment. The panel discussed the myriad studies attempting to estimate the potential costs of implementing the ACA, as well as expanding Medicaid, in the Sunflower state.

Studies conducted by KHI, Lewin Group, United Health and others offer differing price projections, primarily because of the many variables that go into calculating who is eligible and who is likely to join the state-sponsored healthcare program.

For Kansas, base changes mandated by the ACA over the next six years could cost anywhere from \$170 million to \$740 million, while the optional Medicaid expansion could run between \$1.9 billion and \$5.4 billion, depending on who you ask.

“There’s a lot of uncertainty about even how it’s going to be implemented, whether you choose expansion or not,” said Brunner.

“They (the studies) vary quite a bit, depending on the key assumptions that you make,” he added.

Summary of Cost Estimate Studies on Medicaid Expansion

Entity	Kansas Health Institute (Estimate A)	Lewin Group	Center on Budget and Policy Priorities	Urban Institute	United Health	Kansas Health Institute (Estimate B)	Kansas Health Institute (Estimate C)	Kansas Policy Institute
State Fund 6 year total (2014 - 2019)	\$170.9 million	\$207.0 million	\$260.0 million	\$297.0 million	\$385.0 million	\$426.0 million	\$740.9 million	\$2,162.5 million
All Funds 6 year total (2014 - 2019)	\$1,896.3 million	NA	NA	NA	\$4,785.0 million	\$2,871.7 million	\$5,484.8 million	NA
Date Study Released	December 2012	December 2010	current web data	July 2011	April 2010	December 2012	December 2012	June 2011
Actual time frame of study	2014 - 2020	2014 - 2019	2014 - 2019	2014 - 2019	2014 - 2020	2014 - 2020	2014 - 2020	2009 - 2023
Estimated Number of Newly Eligible	102,618	147,600	192,000 enrolled by 2019	169,000	168,090	110,425	129,582	132,000 by 2014 126,000 additional by 2020
Participation Rates of Newly Eligible	57% of uninsured 25% of insured (Non-Medicaid)	75% of uninsured 39% of insured (Non-Medicaid)		73% of uninsured	57% of all newly eligible	65% of uninsured 25% of insured (Non-Medicaid)	75% of uninsured 30% of insured (Non-Medicaid)	
Estimated Number of Currently Eligible Uninsured	11,760 adults 18,101 children	13,300 adults 14,100 children	30,000 adults			11,760 adults 117,896 children	22,050 adults 140,106 children	102,000 individuals
Participation Rates of Currently Eligible Uninsured	40% of adults 40% of children				32% adults and children	40% of adults 65% of children	75% of adults 75% of children	
Additional Notes		assumes uncompensated care savings			accounts for higher than average health care demand and costs for previously uninsured			

*Analyzed the sum of additional expenses between 2014 - 2019 for consistent time frames across studies

** Federal share of expansion is 100 % through 2017 and phased down to 90.0 % through 2020

*** Kaiser Commission on Medicaid study includes 10 years' total SGF expected costs; cannot compare to totals of 6 year time frame

**** KanCare implementation is not considered in the cost estimates.

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While Bruffett agreed that there's no way to be sure when dealing with so many variables, she said each study, especially KDHE's, was conducted using the most recent available data; figures weren't exactly plucked out of thin air, but instead project an educated guess using the best available information.

Gokhale said he expects chaos to erupt from individuals choosing to pay fines rather than sign up for health insurance, and only choosing to do so when a need arises. He offered a final caution on the cost studies: Even the most pessimistic projections assume nothing goes wrong, and that the federal government makes good on its funding promises.

Whether or not that happens is yet to be seen.