

## Health Care Reform and the State Budget: Savings Likely to Partly or Fully Offset Modest New Costs

Most studies of the impact of the Affordable Care Act have concluded that increases to state Medicaid budgets will be modest



National studies from the Urban Institute and projections developed by the Oklahoma Health Care Authority have estimated that state spending on Medicaid may grow by \$200 to \$800 million between 2014 and 2019 or 2020, depending on various assumptions and will increase state Medicaid spending by under 10 percent. The federal government will assume over 90 percent of total costs of expanded Medicaid coverage.

Some studies have concluded that overall state spending will decrease as a result of the new law

Several studies at the national and state levels that have considered a broader range of cost, savings, and revenue factors associated with the Affordable Care Act have concluded that the cost of the health care law will be less for states and could even yield net savings. A July 2011 report from the Robert Wood Johnson Foundation projects that, "State governments will collectively save between \$92 billion and \$129 billion from 2014 to 2019 because of provisions in the Affordable Care Act that are designed to reduce the uninsured population and provide federal funding for functions that, in the past, have been financed by states and localities."

Estimates by the Oklahoma Council of Public Affairs and Cato Institute are way out of line with other studies and are based on mistaken assumptions and methodologies

A recent report from the Oklahoma Council of Public Affairs and Cato Institute contends that Oklahoma's Medicaid spending will increase by \$11.4 billion during 2014-2023 as a result of the ACA, and grow 35 percent greater than without the new federal law. The report, however, is based on flawed and exaggerated assumptions about Medicaid participation and expenditures under the new law.

Medicaid Projections under the Affordable Care Act, Various Studies

Study	Period	Participation Rate	# of New Participants	Total Cost (in \$millions)	State Share (in \$millions)	Federal Share (in \$ millions)	% Federal	% Increase in State Spending over Baseline
Holahan & Heady	2014-2019	Standard (57%)	357,150	\$ 12,728	\$ 549	\$ 12,179	95.7%	4.0%
Holahan & Heady	2014-2019	Enhanced (75%)	470,358	\$ 14,225	\$ 789	\$ 13,436	94.5%	5.8%
OHCA	2014-2020	Standard (57%)	137,370	\$ 2,564	\$ 212	\$ 2,352	91.7%	1.3%*
OHCA	2014-2020	Enhanced (75%)	180,751	\$ 3,374	\$ 279	\$ 3,095	91.7%	1.9%*
OCPA/Cato	2014-2023	unspecified	340,000	unspecified	\$ 11,400	unspecified	unspecified	35.0%

Note: % increase for OHCA projections based on Holahan and Heady baseline spending 2014-2019, inflated by 4% to include 2020

For the full-length issue brief and related materials, go to: <http://www.okpolicy.org/healthcare>