

Federal Health Care Overhaul To Cost State Governments and Taxpayers Tens of Billions of Dollars

This afternoon the Congressional Research Service (CRS) released a congressional distribution memorandum that summarizes existing analyses of the impact of the new federal health reform law on state costs.

According to CRS, the memo: “identifies select coverage provisions (specifically Medicaid and private health insurance) that relate directly to state costs, and discusses the challenges to producing state-level estimates. Such challenges include the pre-reform variation across states; uncertainty about future federal guidance and regulations relating to health reform implementation; state decisions regarding such implementation; data issues; and other factors outside of the health reform law and its implementation.”

There are two important caveats to CRS’s analysis on this topic.

- First, CRS admits that they do “not produce cost estimates, [and] have no plan to produce fiscal impact statements for any state.”
- Second, CRS says it is not their “intent to evaluate the validity of the assumptions or the analytic rigor of the methodological approaches used to generate these estimates. Instead, we present the general findings as well as selected assumptions and limitations as reported in the studies that will help the reader put the results into context and better understand the complexity involved in generating estimates of the law’s impacts.”

In other words, CRS is helpfully outlining some policy issues, but carefully trying to not produce a cost estimate. As they point out, though, several states have put together their own estimates of PPACA’s costs to their state.

- North Dakota has estimated ([http://www.governor.nebraska.gov/news/2010/08/pdf/Nebraska Medicaid PPACA Fiscal Impact.pdf](http://www.governor.nebraska.gov/news/2010/08/pdf/Nebraska_Medicaid_PPACA_Fiscal_Impact.pdf)) the new health care law’s additional costs to its state at \$1.1 billion.
- Here’s Texas’ estimate (http://www.hhsc.state.tx.us/news/presentations/2010/HouseSelect_062910.pdf) (at \$27 billion (page 16).
- Indiana estimated (http://www.in.gov/fssa/files/Milliman_financial_analysis_May2010.pdf) a \$3.6 B additional cost.
- Virginia guessed (<http://www.washingtonexaminer.com/local/McDonnell-ups-Obama-health-overhaul-cost-to-1.5-billion-93988944.html>) an added \$1.5 B.
- Louisiana estimated (<http://www.dhh.louisiana.gov/offices/publications/pubs-81/Presentation.pdf>) a whopping \$7.1 B in extra costs to the state.
- Nebraska estimated (http://www.governor.nebraska.gov/news/2010/08/18_medicaid_expansion.html) changes could cost their state \$766M
- Oklahoma estimated \$441 M in extra costs to the state

Assuming these estimates are accurate, if state costs were extrapolated based on their a percentage of the total U.S. population, then if these are even roughly accurate, taxpayers and state governments will be paying between \$180 and \$325 billion. Either number is a lot more than the projected \$114 billion deficit “savings” the CBO estimated

(<http://www.cbo.gov/ftpdocs/113xx/doc11379/AmendReconProp.pdf>) for the new law.

These costs were not reflected in CBO’s score for the new law, but they are real costs that must be borne by taxpayers and state governments.