

Economist: Governor's plan would save money

Health proposal worth cost of GRT, Emory prof says

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Gov. Rod Blagojevich's \$2 billion-a-year plan to assist the state's 1.4 million uninsured and others financially strapped by the cost of health insurance would generate a 2-to-1 savings in health-care costs, an Emory University health economist says.

While most of the savings wouldn't have a direct impact on the state's coffers, Emory professor Kenneth Thorpe said Blagojevich's Illinois Covered plan would reduce cost-shifting and other pressures that boost health insurance costs for all businesses and individuals.

Thorpe said a \$7.6 billion annual gross-receipts tax that the governor would use to pay part of the bill for Illinois Covered would be worth the expense.

"In the scheme of most health-care proposals I've seen, this is certainly a good deal for the taxpayers, because if you can get a 2-to-1 return on a dollar investment in health care, that's a terrific deal," he said.

Thorpe said his analysis will be funded by America's Agenda - a not-for-profit group in Washington, D.C., supported by unions and the pharmaceutical industry - as part of an attempt to reframe Illinois' debate on the gross-receipts tax.

Thorpe will use a Statehouse news conference today to formally present his estimates of savings at a time when discussion of the GRT has focused on the tax's effect on business - not on any offsetting savings.

Thorpe estimated that state government spending on Illinois Covered from fiscal 2008 through 2011 would total \$7.2 billion. The money would come from a portion of the gross-receipts tax and a proposed \$1.1 billion-a-year assessment on all but the smallest employers that don't offer health insurance.

But Thorpe said \$15.6 billion would be saved during the same four-year period.

The savings, he said, would come through Blagojevich's initiatives to more efficiently care for people with chronic diseases, promote the use of electronic medical records and reduce cost-shifting associated with care of the uninsured.

Some of the savings would be guaranteed through state law, Thorpe said, adding that studies have documented the value of more efficient health-care delivery programs.

The overall savings, however, would be the largest of its kind for an entire state to achieve, he said.

Todd Maisch, a vice president of the Illinois Chamber of Commerce, which opposes the gross-receipts tax, said he hasn't reviewed Thorpe's analysis in-depth but was wary of the estimates.

"I think that the vast majority of taxpayers would be very, very skeptical with the notion that if you send a billion dollars in taxes to state government in Springfield, you're going to see \$2 billion come back in benefit," Maisch said. "It's a real reach to argue that this is a net positive for any taxpayers, especially employers."

Thorpe, 50, chairman of the department of health policy and management at Emory in Atlanta, is confident in dealing with big numbers.

He was a federal employee when he coordinated the cost estimates for then-President Clinton's ill-fated health reform plan in the early 1990s.

Based on information from the Blagojevich administration, Thorpe estimated that Illinois Covered would lead to a \$4.8 billion savings for employers as a group from 2008 through 2011, and \$5.9 billion in savings for families through premiums and other out-of-pocket costs.

Health-care costs in Illinois would continue to rise during that period, but the rate of increase would drop because of the governor's health plan, according to Thorpe, who is advising Vermont officials on a major health insurance expansion plan.

Thorpe said Blagojevich's proposed health-care system improvements, dubbed the "Roadmap to Health," are calling for a "fundamental modernization and restructuring of the Illinois health-care delivery system in terms of how health care is delivered. It's not the 'same old same old.'"

"A lot of the health-care reform proposals I see really just have components in it that cover the uninsured, which is important," he said, "but they don't have specific components built into it that really reduce the level and growth of health-care spending - and this proposal does."

The governor hasn't put out his own estimates of health-care savings, but Blagojevich's aides have cooperated in Thorpe's study, which is being publicized by the Champaign-based Campaign for Better Health Care.

The Champaign group is using an earlier analysis of Blagojevich's plan - one that Thorpe developed several weeks ago - when the group contends that "doing nothing" would cost Illinois taxpayers an additional \$30 billion in potential health-care cost savings over the next 10 years.

Thorpe said the \$30 billion figure is "still in the ballpark," but his latest analysis focuses on the next four years.

The biggest chunk of Thorpe's projected \$16 billion in accumulated savings from Illinois Covered - \$5.9 billion - would come from new programs to help doctors better manage the care of people with asthma, diabetes and other chronic conditions.

About 75 percent of the \$75 billion currently spent annually on health care in Illinois goes to treat individuals with those conditions, Thorpe said.

The chronic-care initiatives would expand upon a state program called Your Healthcare Plus, which currently serves about 200,000 Illinois adults and children and is projected to save more than \$37 million a year.

About \$3.9 billion over the four years would be saved through better information technology, he said.

And \$1.6 billion would be saved through cheaper premiums for individuals and small businesses through Illinois Covered's proposed insurance pool and rebate programs, he said.

By covering at least one-third of the state's uninsured by 2010, Thorpe said the governor's plan would reduce by \$4.2 billion the cost-shifting that results in health-care providers raising prices for everyone to pay for the care of uninsured patients.

That cost shifting increases the total cost of the average Illinois family's health insurance premium by \$1,059 a year, he said.

Illinois Covered could result in savings for the state's Medicaid program, as well, but Thorpe said he didn't include that potential savings in his estimates.

The estimates don't include additional state costs that would be incurred if the governor pushes to require all state residents to obtain health insurance after three years or face a financial penalty. The governor's aides said such an individual mandate is being considered.

Thorpe's analysis also doesn't include Blagojevich's proposed increases in Medicaid provider rates, which would total \$90 million in fiscal 2008 and \$478 million when fully implemented in fiscal 2011.

The estimates also don't include the indirect savings that Illinois Covered could generate - through lower rates for worker's compensation, homeowner's insurance, and property taxes that fund municipal-government employee benefits.

But Jim Duffett, executive director of the Campaign for Better Health Care, said those potential savings should be considered.

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Potential savings from Illinois Covered

- **\$5.9 billion:** Statewide wellness plan and expansion of initiatives to care for people with chronic diseases such as asthma and diabetes.
- **\$3.9 billion:** Increased use of electronic medical records, information technology and administrative savings.
- **\$4.2 billion:** Reduction in cost shifting. Cost shifting takes place when health-care providers try to compensate for the unpaid cost of caring for the uninsured.
- **\$1.6 billion:** Programs such as Illinois Covered Choice and Illinois Covered Rebate to reduce costs for businesses and individuals who currently have

health insurance.

- **Total savings:** About \$15.6 billion.

These are the combined estimated savings from Illinois Covered for fiscal years 2008 through 2011. Annual savings would increase as Illinois Covered ramps up. Estimated savings would be \$3.2 billion in fiscal 2009, \$4.8 billion in 2010 and \$7.5 billion in 2011.

-Source: Kenneth Thorpe, professor and chairman of the Department of Health Policy and Management, Rollins School

of Public Health, Emory University

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