

Michigan's Medicaid Program

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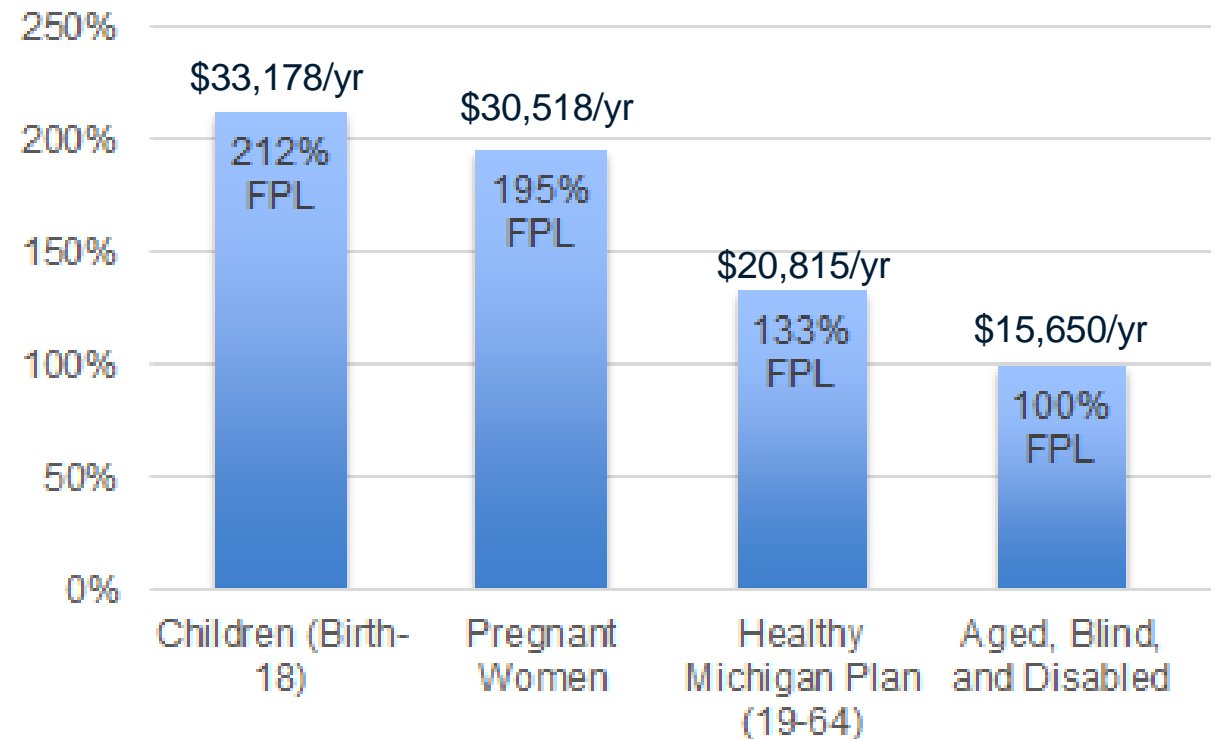


Medicaid Background

Medicaid Program Background

- Medicaid is the **largest health insurance program** in the U.S.
- A means-tested entitlement program providing **comprehensive health coverage for eligible populations**, including:
 - Low-income children and families.
 - Elderly and disabled individuals.
 - Pregnant women.

Medicaid Income Limit by Population



Michigan's Medicaid Program has a Vast Reach

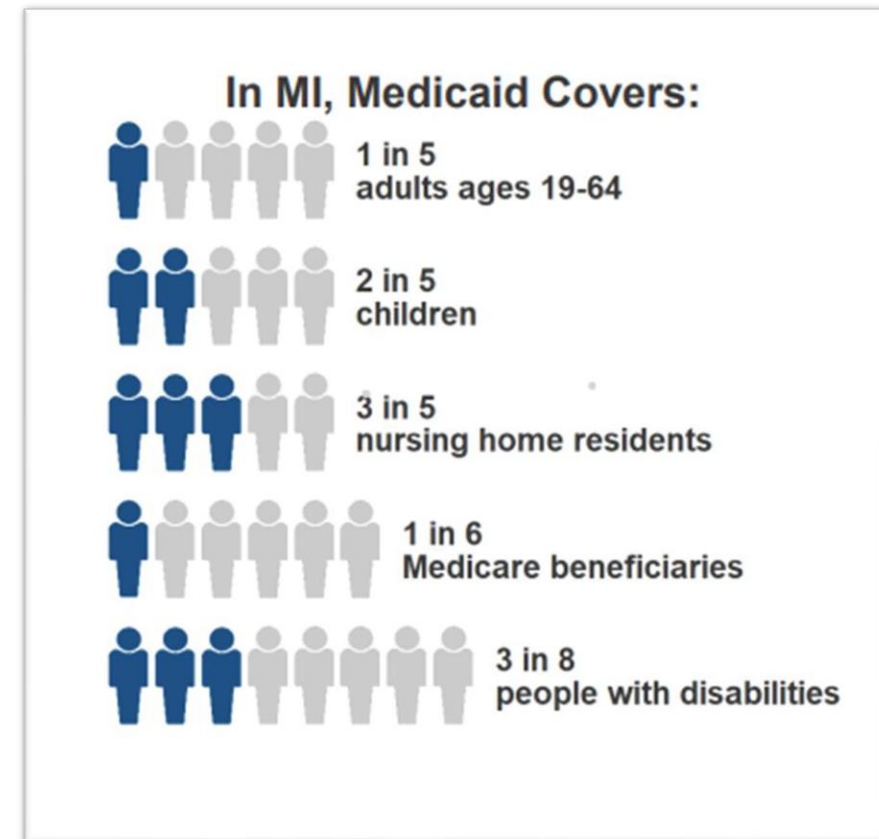
Medicaid covers 1 in 5 individuals living in the U.S.

In Michigan, the coverage rate is even higher — **1 in 4 Michiganders**.

Michigan's Medicaid program affords health coverage to more than **2.6 million Michiganders** each month, including:

- **1 million children**;
- **300,000 people** living with **disabilities**;
- **168,000 seniors**; and,
- Nearly **725,000 adults** in the **Healthy Michigan Plan**.

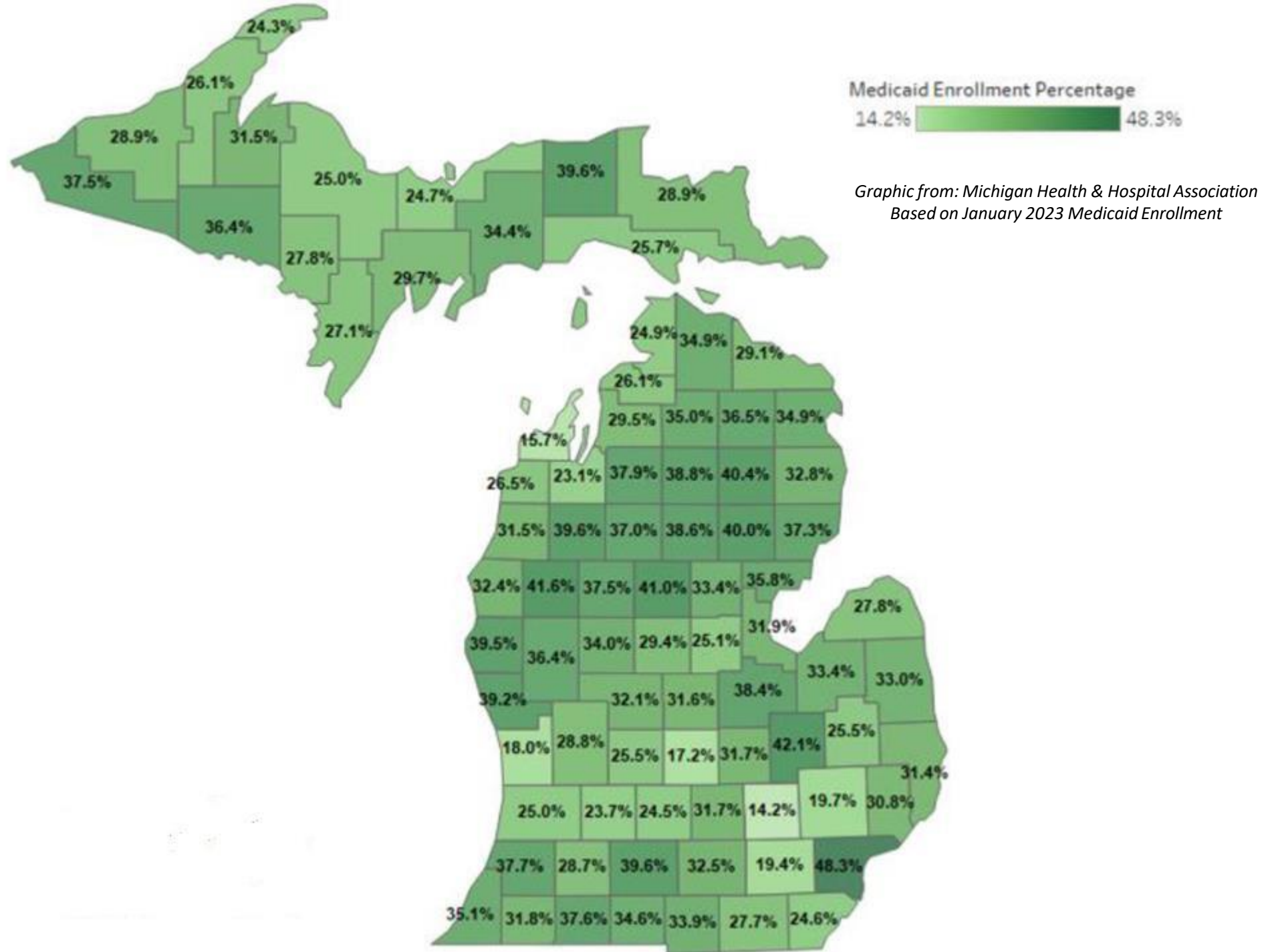
45% of births in Michigan are covered by Medicaid.



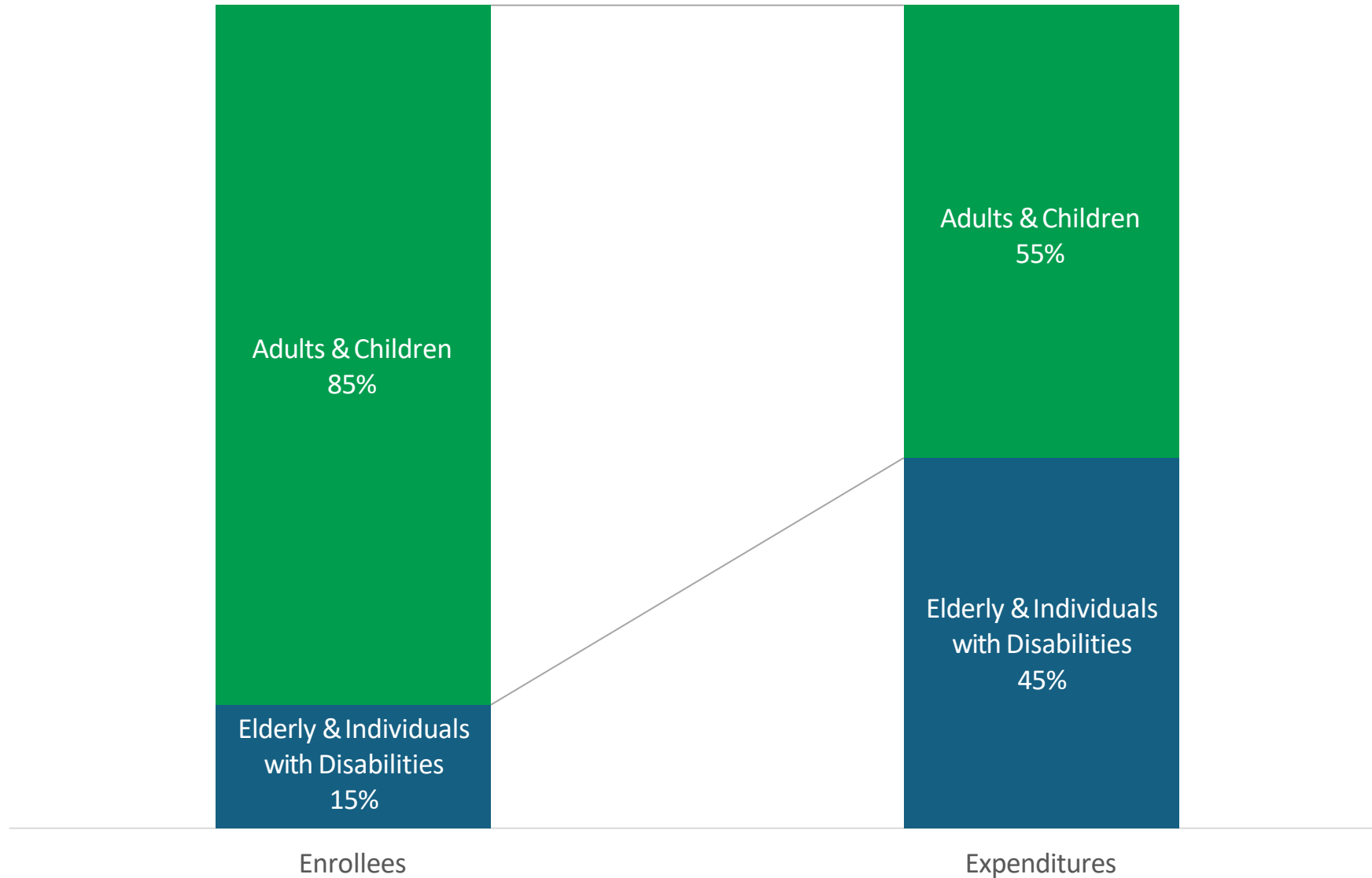
*Graphic from: Kaiser Family Foundation
August 2024 Michigan Fact Sheet*

Medicaid Enrollment

Percentage of County Population



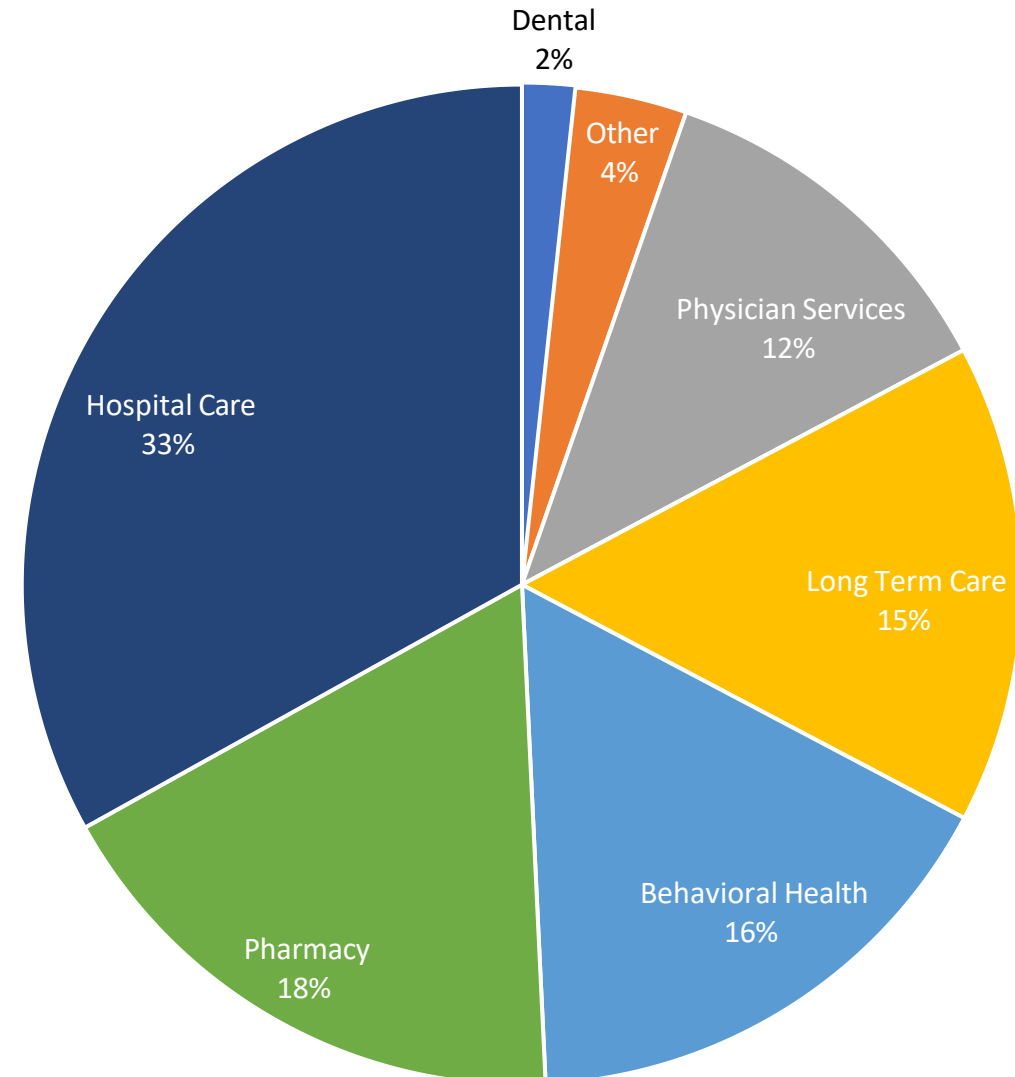
Medicaid Enrollees and Expenditures



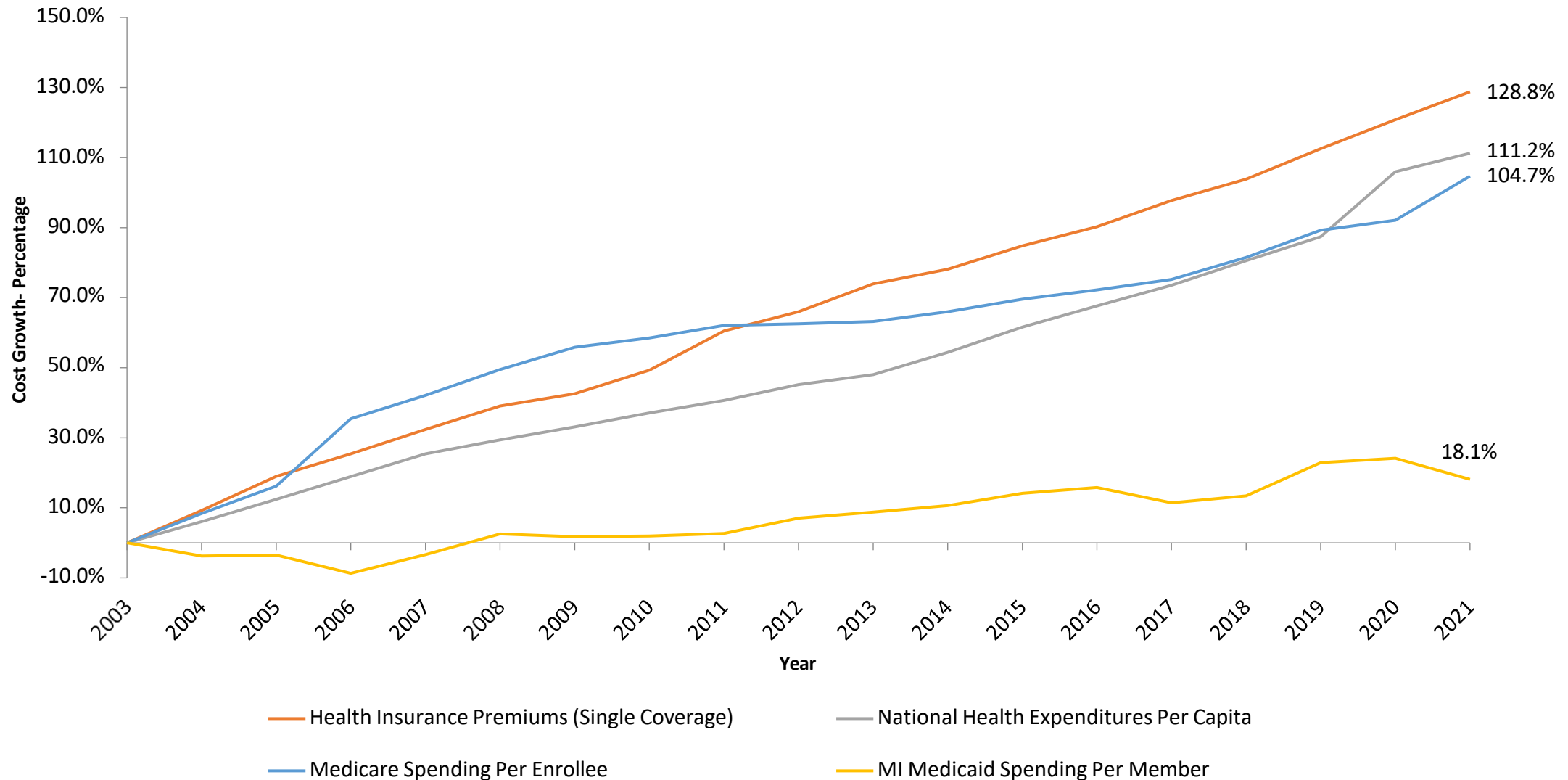
Medicaid is a Major Payer in the Health Care System

- Nationally, Medicaid accounts for one-fifth of all health care spending, and over half of spending on long-term care.
- It is largest payer of mental health services, long-term care services, and births.
- As such, it plays a critical role in assuring the sustainability of hospitals, community health centers, physicians, and nursing homes.

Michigan Medicaid Expenditures by Service



Medicaid is Cost Effective

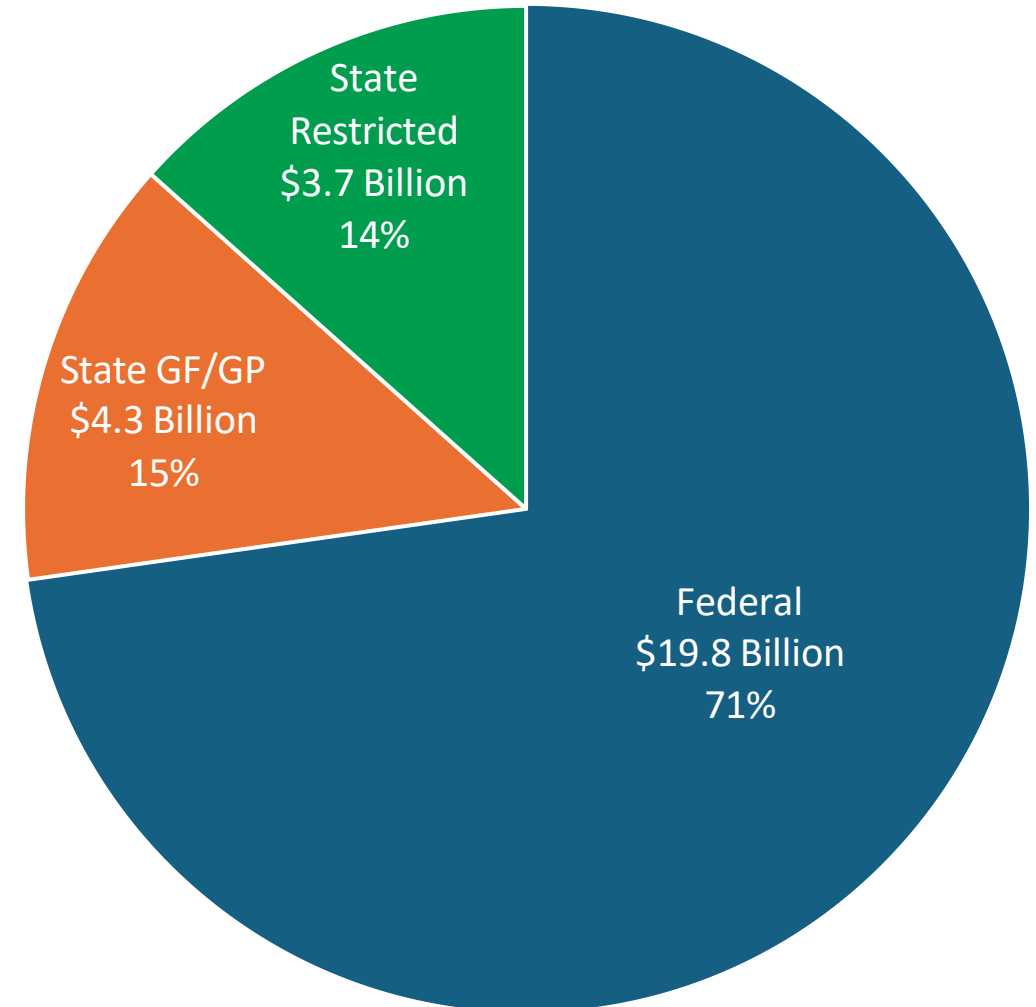


How Michigan Medicaid is Financed

- Medicaid is **jointly funded** by the state and federal governments.
- The federal match rates for most Medicaid enrollees vary by state following a federal formula that provides a **higher federal match rate for states with lower per capita income**.
 - Michigan's FY25 **federal match rate is ~65%**.
 - The remaining **~35% is covered by the state** through a combination of state appropriations, provider taxes and local revenue.
- **Healthy Michigan Plan**, Michigan's Medicaid expansion program, qualifies for **90% federal match**.
- Medicaid **administrative expenditures** are covered by the federal government at **50%, 75% or 90%, depending on the type of expenditure**.

Michigan Medicaid Budget

- Michigan's FY25 Medicaid budget is approximately \$27.8 billion.
 - 34% of the state's overall budget.
- More than 70% of the Medicaid budget comes from federal funding.
- The state share is comprised of:
 - State General Fund/General Purpose Revenue: \$4.3 billion.
 - Provider Taxes: \$2.32 billion.
 - Insurance Provider Assessment: \$651.1 million.
 - Tobacco Taxes/Settlement: \$335.0 million.
 - Public/University Hospital and Long-Term Care Special Financing: \$246.8 million.



Medicaid Helps Hospitals

- With Medicaid covering a quarter of the state's population, Michigan's **uninsured rate** continues to improve and is now **among the best in the country** (4.4% in Michigan compared to 8% nationally).
- Since the launch of Medicaid expansion in 2014, **hospital uncompensated care** has fallen dramatically – **decreasing by more than 50%**.
- Michigan's hospitals receive **nearly \$7 billion** in Medicaid funding annually, which accounts for **almost one-fifth of the net patient revenue for hospitals in the state**.

Medicaid Helps Rural Communities



- **37.3% of small town and rural** Michiganders are covered by Medicaid.
- States that did not expand Medicaid experienced **more hospital closures, especially in rural communities**. Hospitals are six times more likely to close in non-expansion states.
- If Medicaid payments are reduced, rural hospitals will struggle to keep **labor and delivery** units open.
- The local hospital is often the **largest employer in many of Michigan's rural communities**.

Medicaid Helps the Economy

- According to the Michigan Health and Hospital Association, Michigan's health care industry has a total economic impact of **\$77 billion** per year — **greater than any other industry in the state.**
- A University of Michigan study found that Medicaid expansion alone sparked the creation of **more than 30,000 new jobs every year.**
 - One-third in health care and 85% in the private sector.
- These jobs boost the **personal spending power** for Michigan residents by about **\$2.3 billion each year** and result in an additional **~\$150 million in tax revenue annually.**

Medicaid is Good for our Future

Medicaid Kids ➡ *High Earners*

- Medicaid enrollment for children has been shown to:
 - Increase **positive health outcomes**.
 - Increase **educational attainment**.
 - Increase **wages** in adulthood.
 - Increase **future tax revenue** from increased earnings.
- Increasing the proportion of low-income pregnant women on Medicaid improved the **economic mobility outcomes** of their children in adulthood.
- The Congressional Budget Office estimates that **long-term** fiscal effects of Medicaid spending on children could **offset half or more** of the program's initial outlays.



Potential Federal Medicaid Changes

Impact of Potential Federal Cuts to Michigan's Medicaid Program



- **Reducing the 90% federal match rate for Medicaid expansion (HMP):**
 - Aligning the expansion match rate with Michigan's traditional federal match of ~65% would cost the state \$1.1 billion annually. Absent this additional state investment, 30% of Michigan's Medicaid population would lose their health coverage.
- **Limiting provider taxes:**
 - Would result in cuts to hospital, nursing facility and ambulance reimbursement. The loss of federal revenue would also likely necessitate broad-based cuts to benefits or already low reimbursement rates.
- **Imposing work requirements:**
 - Would add administrative costs to the state and a burden on beneficiaries, and it would lead to unnecessary coverage losses including for individuals who are already working.
- **Ending enhanced federal match for certain administrative expenditures:**
 - Would result in the need for considerable additional state dollars to backfill loss of funds for administrative activities such as IT maintenance and operations, nursing home certification and survey activities, and program integrity efforts.
- **Per capita caps or block grants:**
 - Would cap federal funding available to support the state's Medicaid program over time. National estimates modeled to date project that Michigan could see a reduction in federal funding of \$16 billion between FY2025 and FY2034.

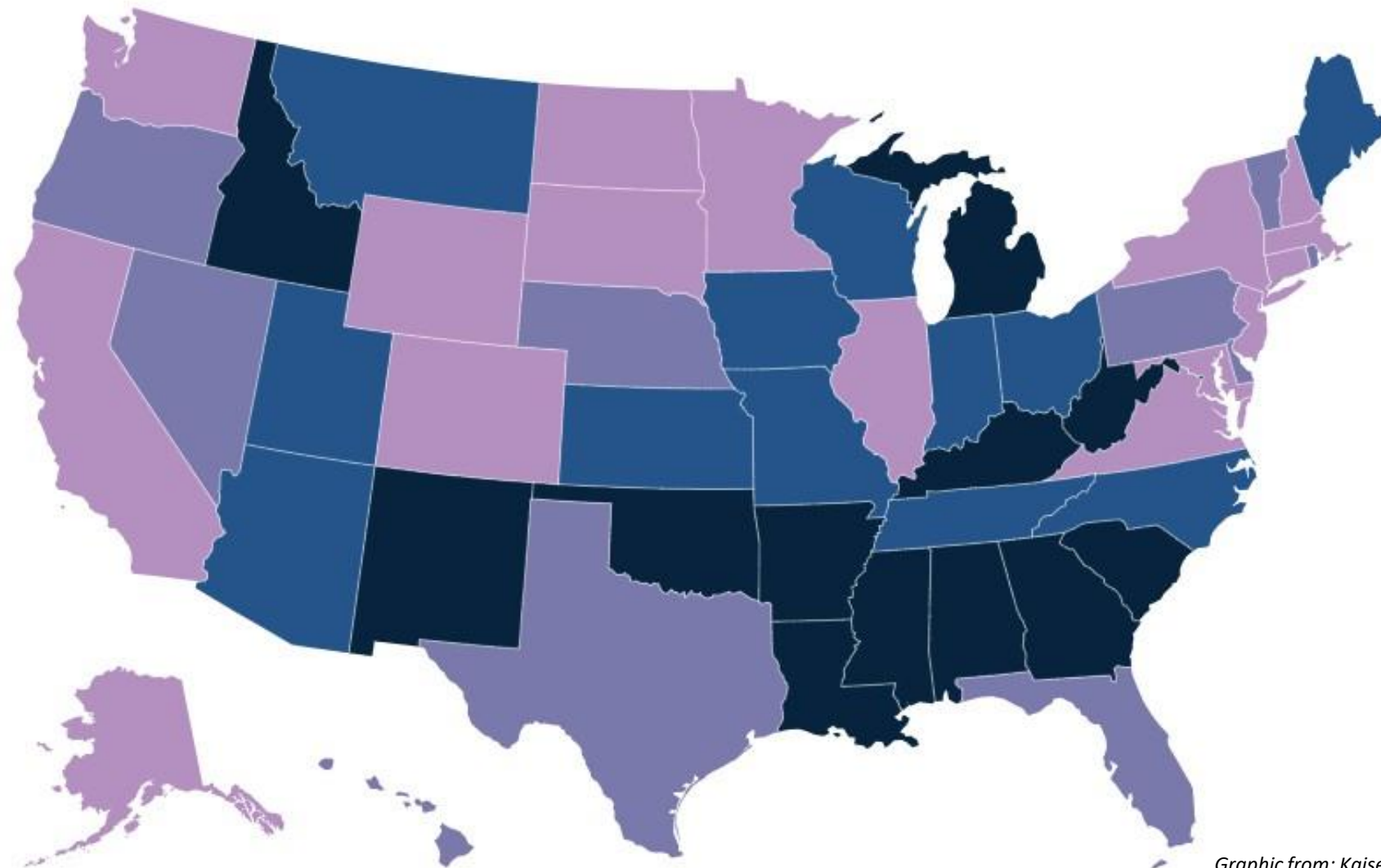
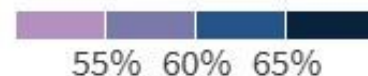
Questions?

Supplemental Materials

Michigan
Brings in
More
Federal
Dollars

States With Lower Per Capita Incomes Have a Higher Federal Matching Rate for Medicaid

Federal Medicaid Assistance Percentages (FMAPs) for Traditional Medicaid Spending Effective for FFY 2026

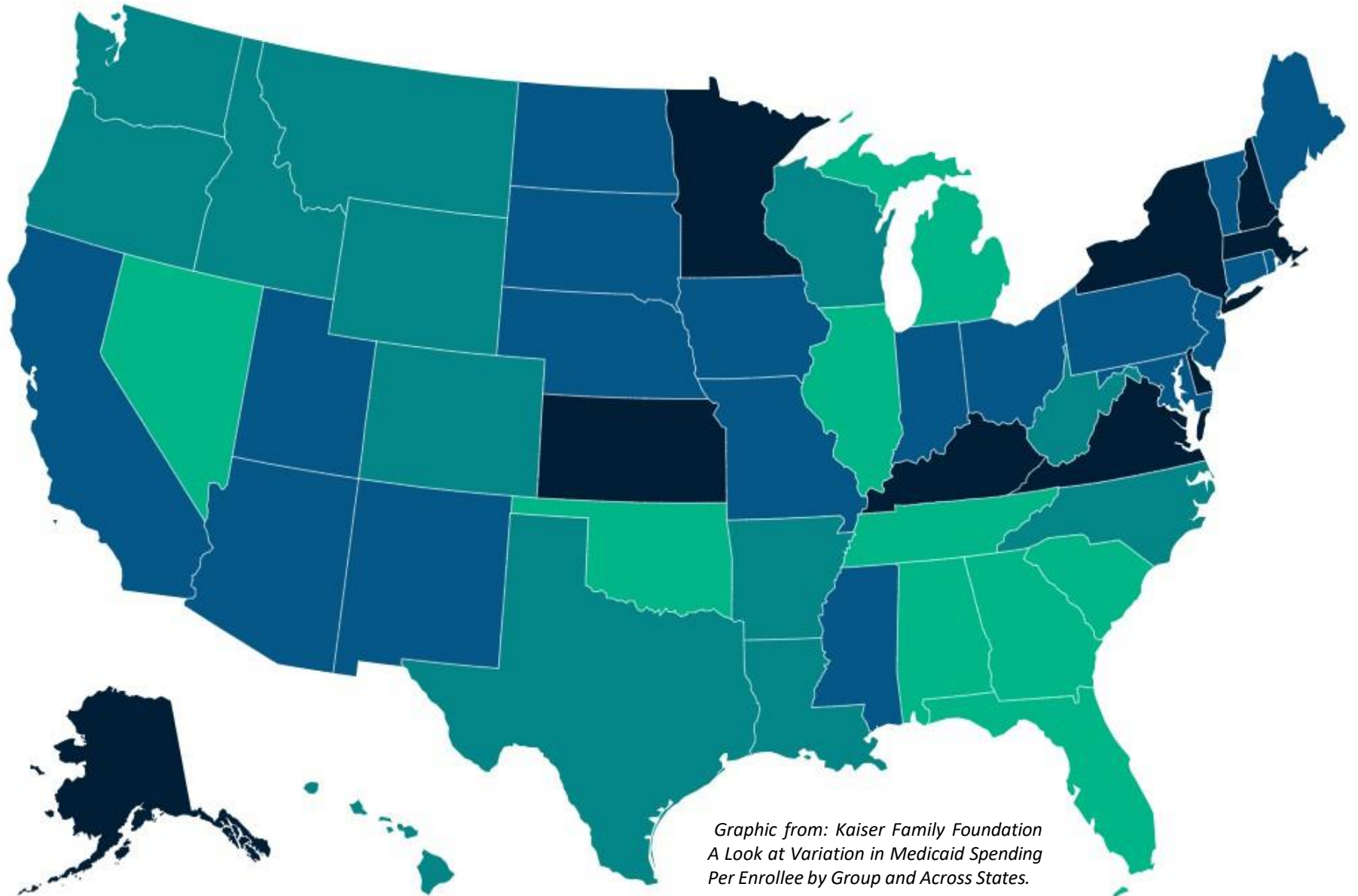


Graphic from: Kaiser Family Foundation
Medicaid Financing: The Basics.

Michigan
Spends
Less per
Medicaid
Enrollee

Medicaid Spending Per Enrollee Ranged From Under \$5,000 to Over \$12,000

■ < \$6,000 (9 states) ■ \$6,000 - \$7,500 (13 states) ■ \$7,500 - \$9,000 (19 states) ■ > \$9,000 (10 states)



*Graphic from: Kaiser Family Foundation
A Look at Variation in Medicaid Spending
Per Enrollee by Group and Across States.*

Mandatory Medicaid Populations and Benefits



Who must be covered under federal law?

- Older adults (age 65 and older) who receive Medicare and also qualify for Medicaid.
- Individuals who are blind.
- Individuals with disabilities.
- SSI recipients.
- Pregnant women.
- Children under age 1.
- Children in foster care.
- Very low-income families with children.
- Non-citizens for limited emergency services only.

What services must be covered under federal law?

- Inpatient and outpatient hospital services.
- Nursing facility services.
- Physician services.
- Lab and X-ray services.
- Home health services.
- Non-Emergency Medical Transportation (NEMT).
- Federally Qualified Health Centers & Rural Health Centers.
- Family planning services.
- Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) Services (under 21).
- Medication Assisted Treatment (MAT).

Changing Federal Matching Assistance Percentage (FMAP) Rates



- There are several potential policy changes under consideration relative to changing the current FMAP structure:
 - **Reducing the 90% federal match rate for Medicaid expansion population to the traditional Medicaid match rate (~65% for MI).**
 - CBO estimate: \$561 billion reduction nationally over the next 10 years.
 - Michigan impact: \$1.1 billion annual cost to the state.
 - Puts at risk the health coverage of ~725,000 individuals or 30% of Michigan's Medicaid population.
 - **Ending the enhanced federal match for certain administrative expenditures.**
 - CBO estimate: \$69 billion reduction nationally over the next 10 years.
 - Michigan impact: Minimum of \$115 million in state funds needed simply to maintain current IT operations/projects.
 - **Removing the 50% FMAP floor.**
 - No impact to Michigan absent broader FMAP formula adjustments.

Limiting Provider Taxes

- Michigan has three provider taxes today:
 - Hospitals.
 - Nursing homes.
 - Ambulance providers.
- We also have a Managed Care Organization tax – the Insurance Provider Assessment.
- Together, these taxes are leveraged to make up **nearly \$3 billion** of Michigan's state share of Medicaid costs.
- The tax dollars fund both the base Medicaid program and broader state budget (through state retention) and increased reimbursement to the taxed provider classes.

Limiting Provider Taxes

- There are several options rumored to be under consideration relative to limiting provider taxes:
 - Reducing the provider tax limit from 6% of providers' net patient revenue to 3% or 4%.
 - Capping provider taxes as a share of state general funding.
 - Eliminating entirely the state's ability to leverage provider tax revenue to finance their Medicaid program.
 - Taking administrative action through rulemaking to require wholesale restructuring of managed care organization taxes.
- CBO estimate: \$48-612 billion reduction nationally over the next 10 years.

Imposing Work Requirements

- U.S. House and Senate Republicans have begun introducing legislative proposals to impose work requirements in Medicaid.
- When Michigan implemented Healthy Michigan Plan (HMP) work requirements in 2020, MDHHS incurred more than **\$30 million** in administrative costs.
- Before a federal court blocked Michigan's work requirements in March 2020, MDHHS was on track to lose **~80,000 HMP enrollees** in the first month that coverage terminations were to occur and **more than 100,000** in the first year.
- The estimated impacts of work requirements and how these may or may not align with Michigan's prior experience are highly dependent on policy details that have yet to be released.
- CBO estimate: \$110 billion reduction nationally over the next 10 years.

Capping Medicaid Funds to States

- Medicaid is currently an entitlement program wherein states must cover all eligible individuals, and the federal government must provide the federal share of funding for the costs of that coverage.
- Per capita caps and block grants are mechanisms to shift financial costs and risk to states.
 - **Per-capita caps:** Limits federal funding to a fixed amount per enrollee. This amount would be adjusted annually by a set amount/inflationary factor. Because funding is set on a per enrollee basis, federal funding available to states under this model would adjust for enrollment fluctuations.
 - **Block grants:** Limits federal funding to a fixed amount for the entire Medicaid program. This amount would be adjusted annually by a set amount/inflationary factor but would not adjust for enrollment fluctuations.

Capping Medicaid Funds to States

- The estimated impacts of a per capita cap or block grant structure are highly dependent on policy details that have yet to be released, which limits the ability of the state to effectively model such a shift.
- CBO estimate – Per-capita Caps: \$588-\$893 billion reduction nationally over the next 10 years.
- CBO estimate – Block Grants: \$459-\$742 billion reduction nationally over the next 10 years.