# Michigan's Medicaid Program

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MDHHS
Michigan Department of Health & Human Services

# Medicaid Background

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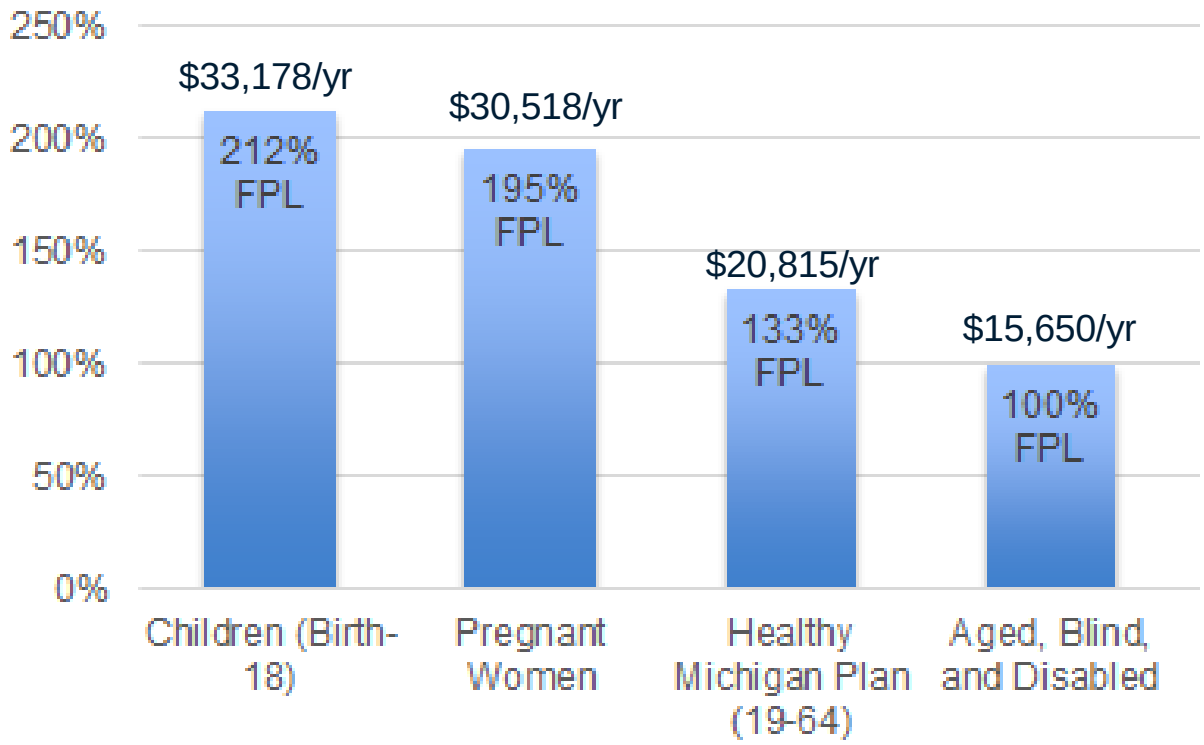
# Medicaid Program Background

- 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



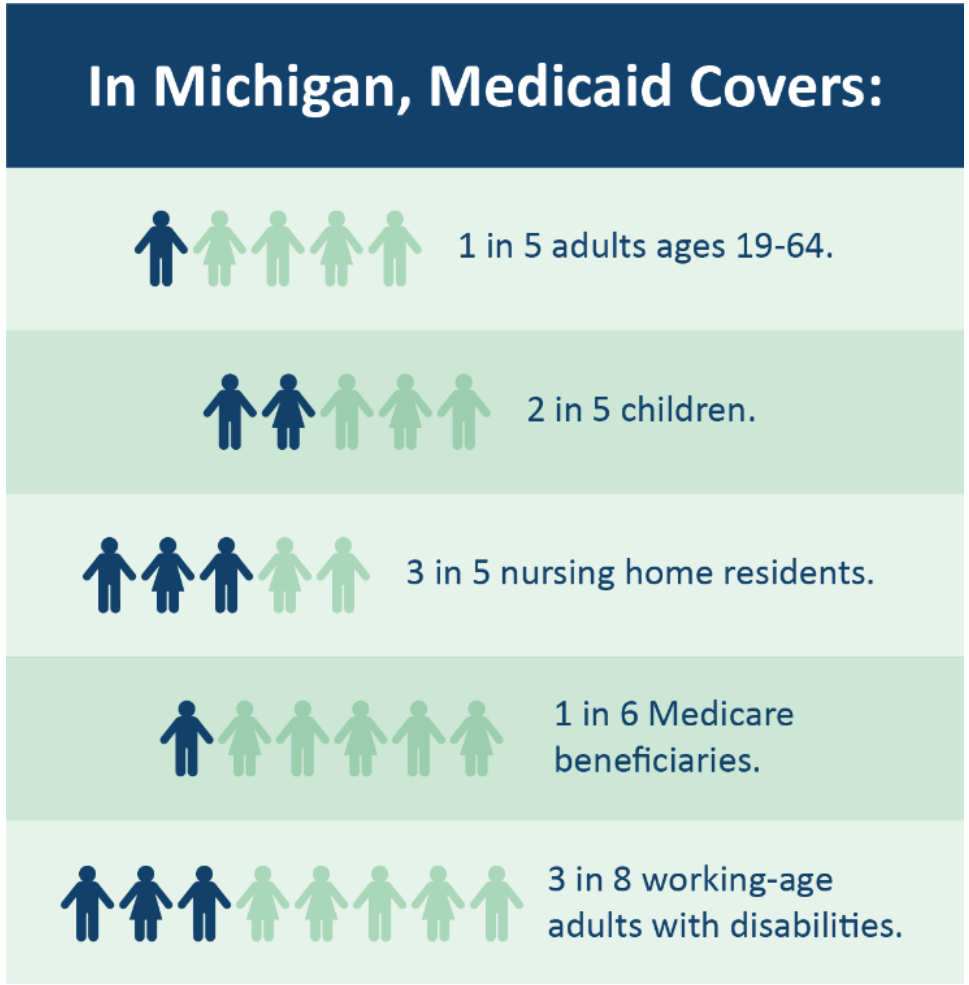
# Michigan's Medicaid Program has a Vast Reach

Medicaid covers one in five individuals living in the U.S. In Michigan, the coverage rate is even higher – **1 in 4 Michiganders**.

In FY24, Michigan's Medicaid program afforded health coverage to more than **2.6 million Michiganders** each month, including:

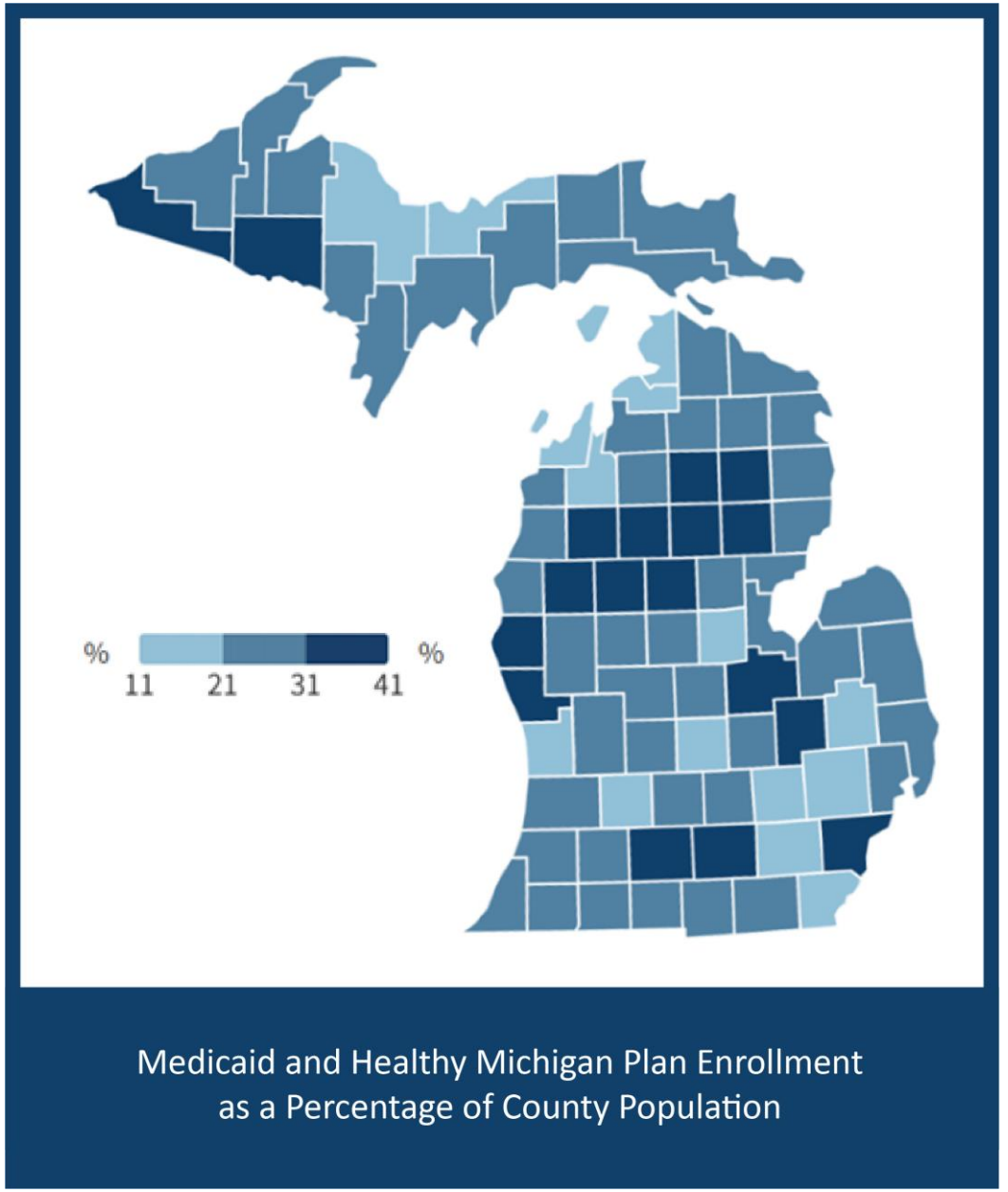
- **1 million children**;
- **300,000 people** living with **disabilities**;
- **168,000 seniors**; and,
- **750,000 adults** in **Healthy Michigan Plan**.

**45% of births** in Michigan are covered by Medicaid.



# Medicaid Enrollment

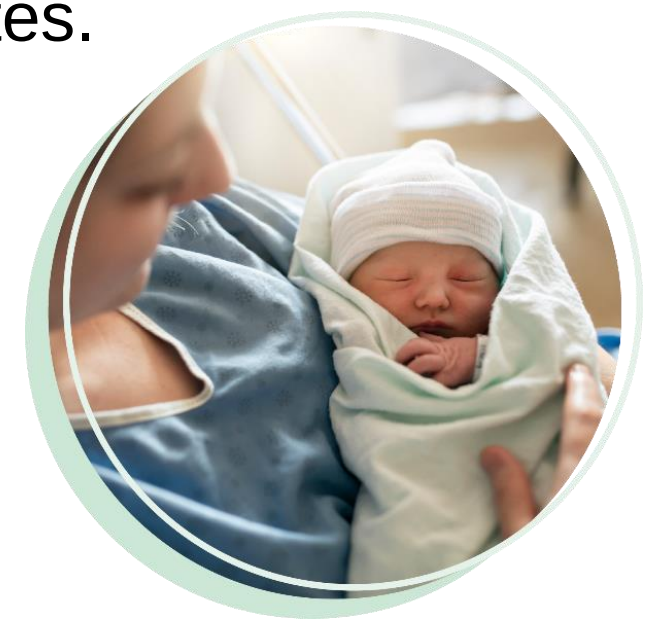
## Percentage of County Population



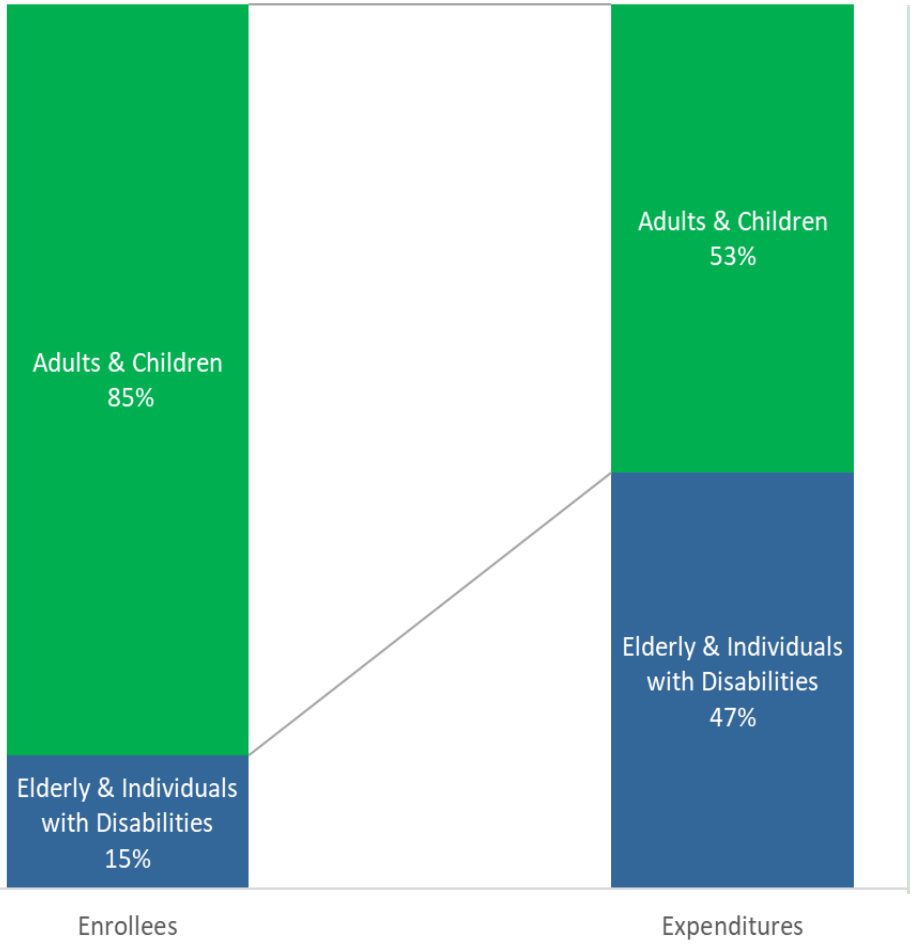

Medicaid and Healthy Michigan Plan Enrollment
as a Percentage of County Population

# Medicaid Helps Rural Communities

- **More than one-third 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.
- Rural hospitals will struggle to keep **labor and delivery** open if Medicaid payments are reduced.
- The local hospital is often the **largest employer in many Michigan rural communities.**



# Medicaid Helps Seniors and Individuals with Disabilities




- Nationally, **Medicaid pays for over half of spending on long-term care.**
- Michigan Medicaid covers seniors and individuals with disabilities paying more than $2,000 per month per person.
- Michigan Medicaid pays an average of $6,200 per month for an individual needing nursing home care.

# 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 upfront costs.

# Proven Healthy Michigan Plan Successes

**In 2014, Michigan expanded Medicaid and launched Healthy Michigan Plan (HMP). Today, HMP covers nearly 750,000 Michigan residents.**

HMP underwent extensive assessment to measure its impact. A University of Michigan evaluation found:

- Michigan's **uninsured rate went down**. Michigan's uninsured rate is one of the best in the nation — currently around 5.4%. Prior to states being able to expand Medicaid, the national uninsured rate was more than 17%.
- Hospital **uncompensated care decreased by more than 50%.** Uninsured people don't stop getting sick, they wait until they are sicker to receive more expensive care. When they cannot afford to pay the bill the costs for everyone else at that facility increase, making check-ups, procedures and insurance more expensive for everyone.
- More people **accessed primary care**. By providing access to timely and effective care, individuals were able to better control chronic conditions and **avoid more expensive visits to emergency departments**.
- **Higher financial well-being** because beneficiaries can access medical care without taking away money for grocery bills and housing or without being forced into expensive medical debt. Positive effects were demonstrated on employment as some beneficiaries reporting gaining access to medical treatments that allowed them to begin or continue working.

# Where Do Medicaid Dollars Go?

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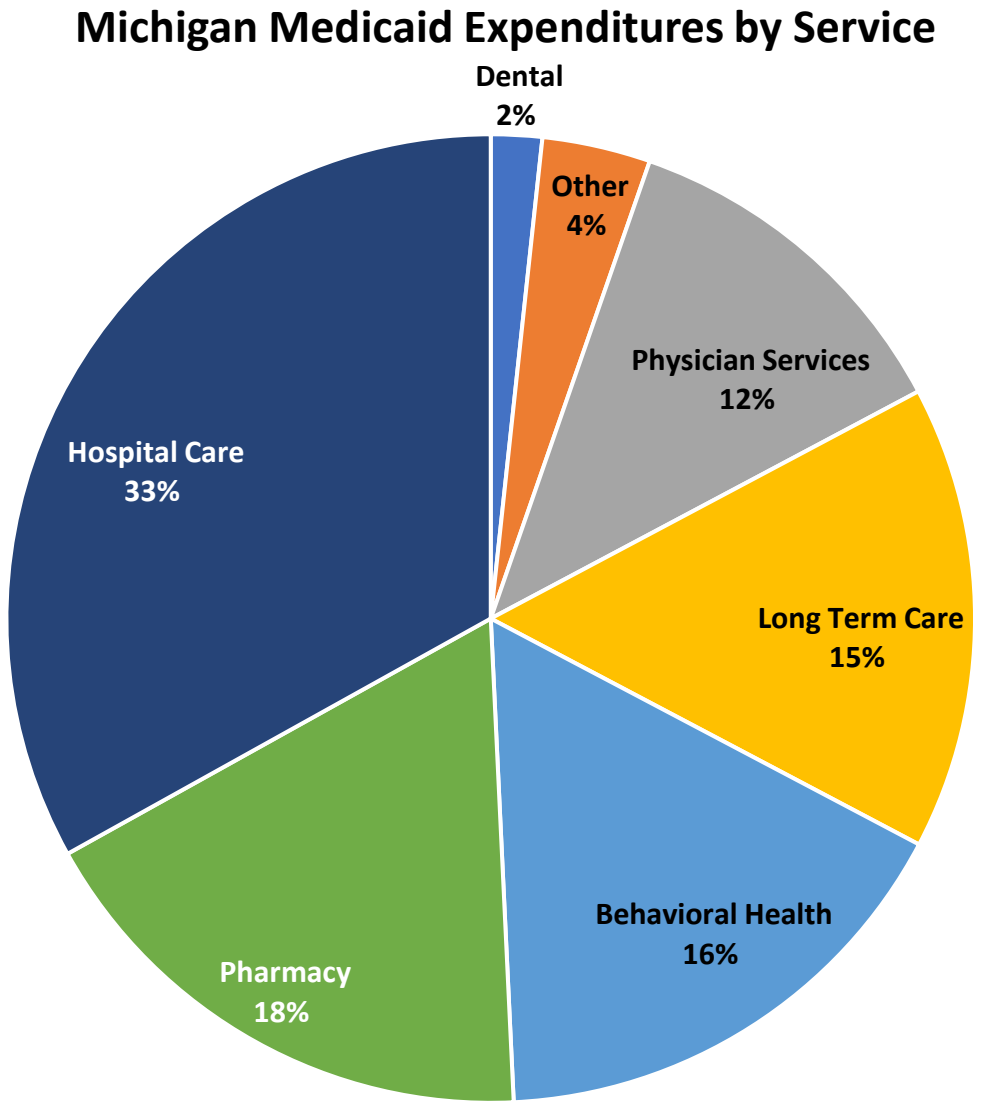
# Medicaid is a Major Payer in the Health Care System

- Nationally, Medicaid accounts for one-fifth of all health care spending.
- It is the **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.



# Medicaid Helps Hospitals

- Because Medicaid covers a quarter of the state's population, Michigan's **uninsured rate** continues to improve and is now **among the best in the country** (5.4% in Michigan compared to 8.2% 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 net patient revenue for hospitals in the state.**

# Medicaid Helps Providers

- Medicaid supports the local **community mental health system with nearly $3.5 billion** annually.
- Michigan's **nursing homes receive more than $3 billion** in Medicaid annually.
- Home- and Community-Based Services (HCBS) providers that support **vulnerable seniors and persons with disabilities living in the community receive more than $1.5 billion** in Medicaid dollars each year.
- Michigan's **safety net health centers receive $483 million** from Medicaid each year, accounting for 63% of their patient services-related revenue.
- During the 2023 school year, Michigan **schools received $160.5 million** to help provide Medicaid-funded services to students.
- Michigan's **emergency medical services providers receive $130.5 million** from Medicaid annually to support lifesaving emergency services.
- More than **200,000** Medicaid-enrolled providers across Michigan communities deliver essential care, helping sustain the program for the **1 in 4** residents who depend on it.

# 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.**

# Challenges in Reducing Medicaid Spending

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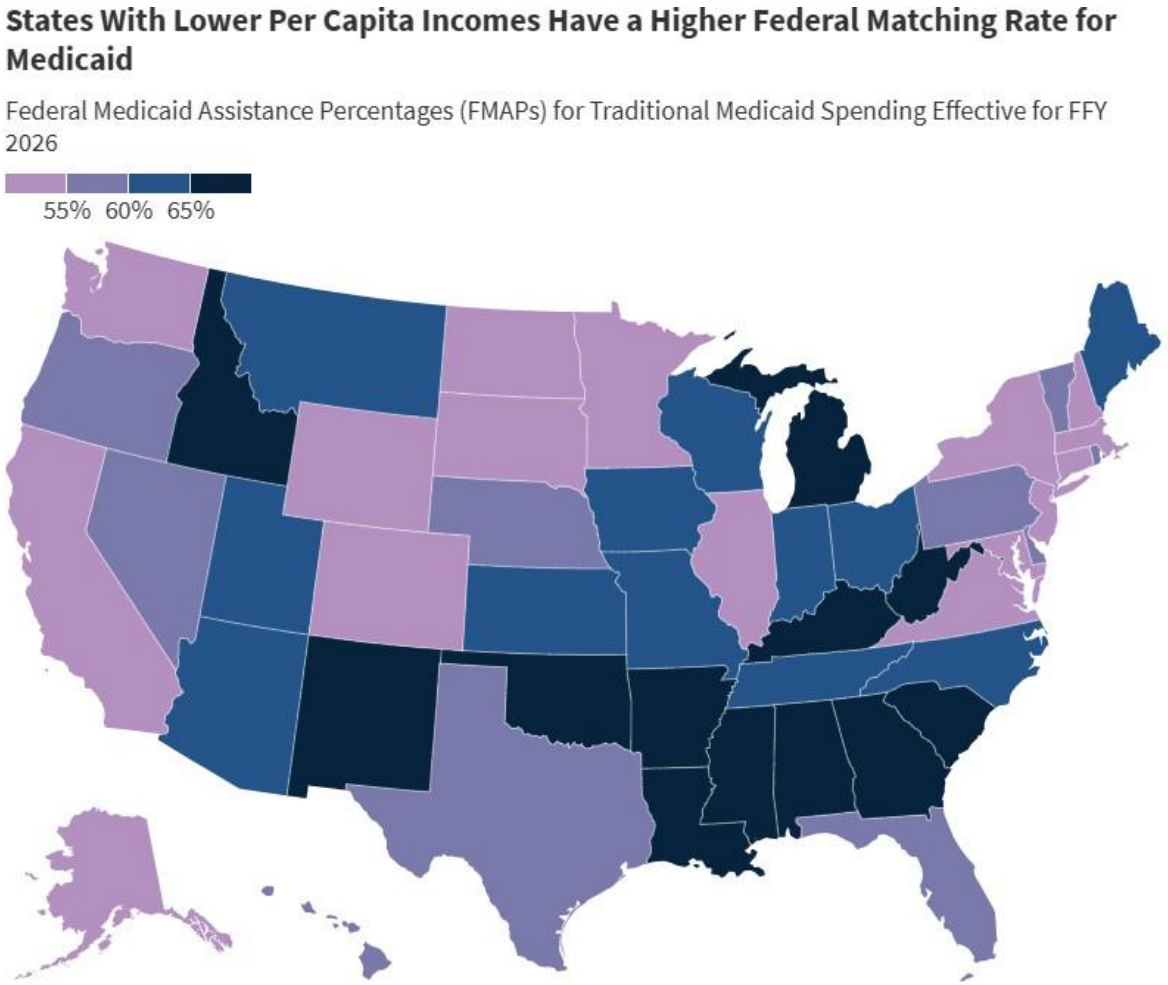
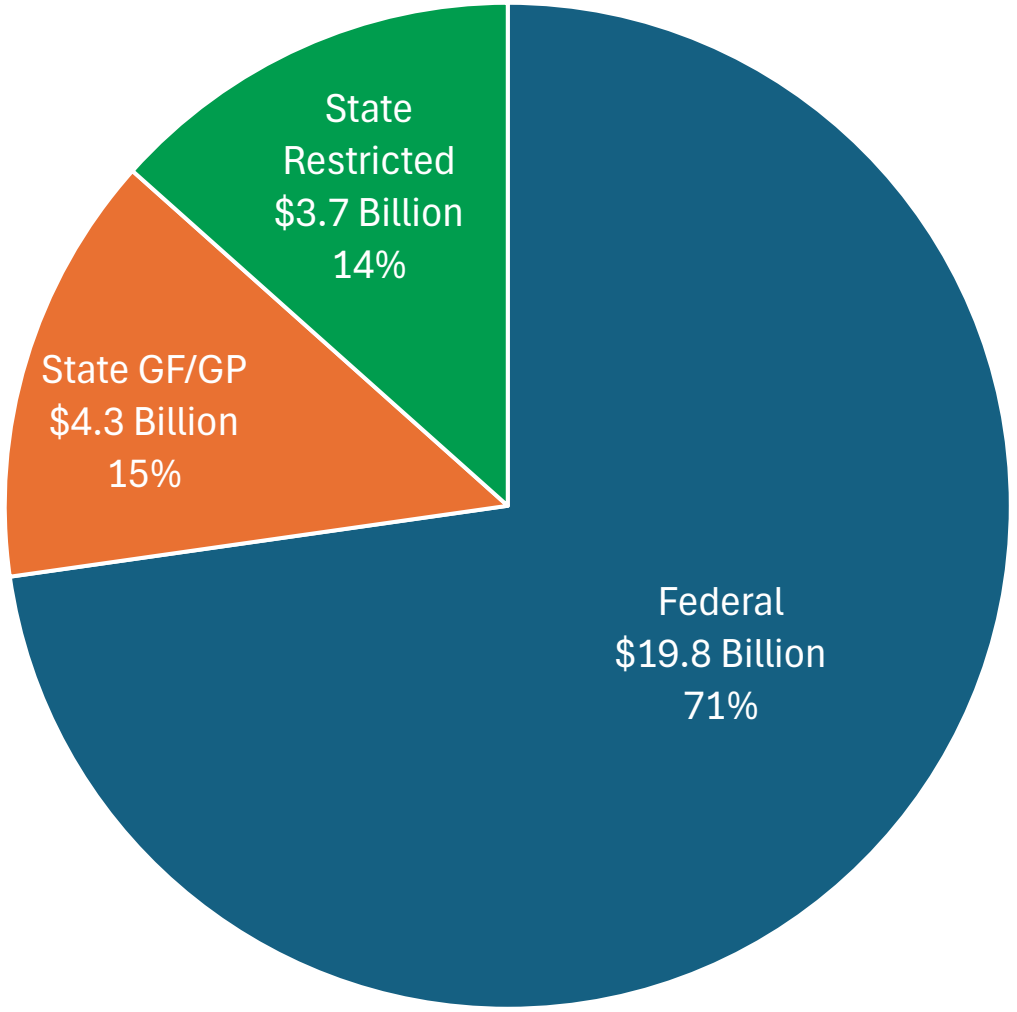
# How Michigan Medicaid is Financed

- Medicaid is **jointly funded** by 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.
- **The Healthy Michigan Plan**, which is 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**.



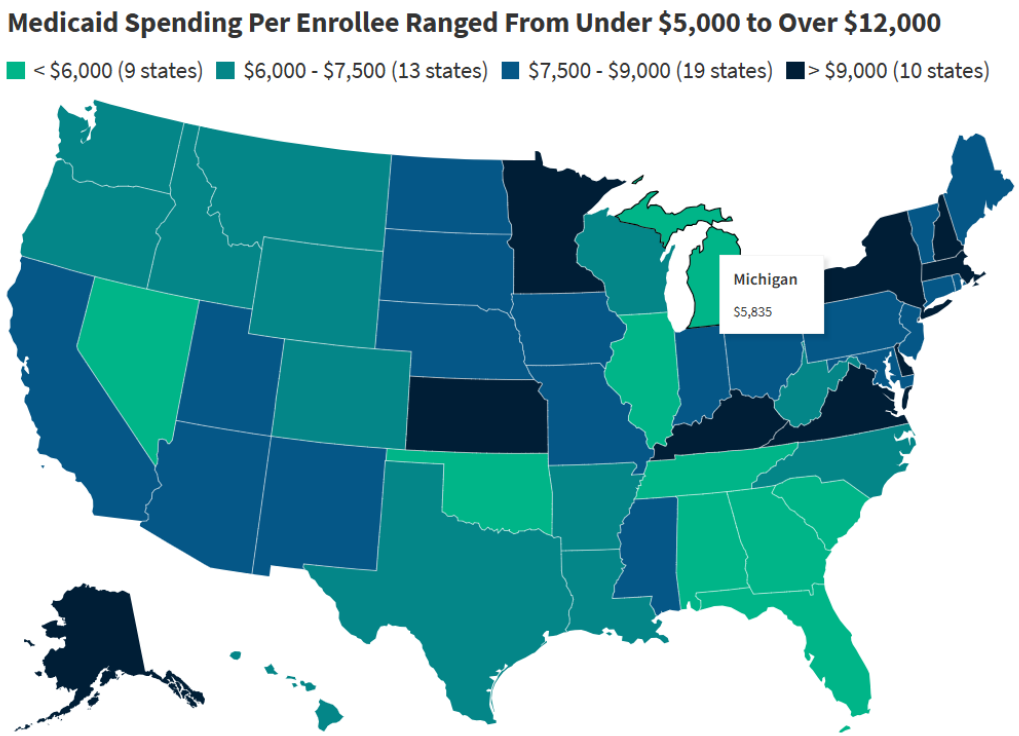
# Michigan Medicaid Budget

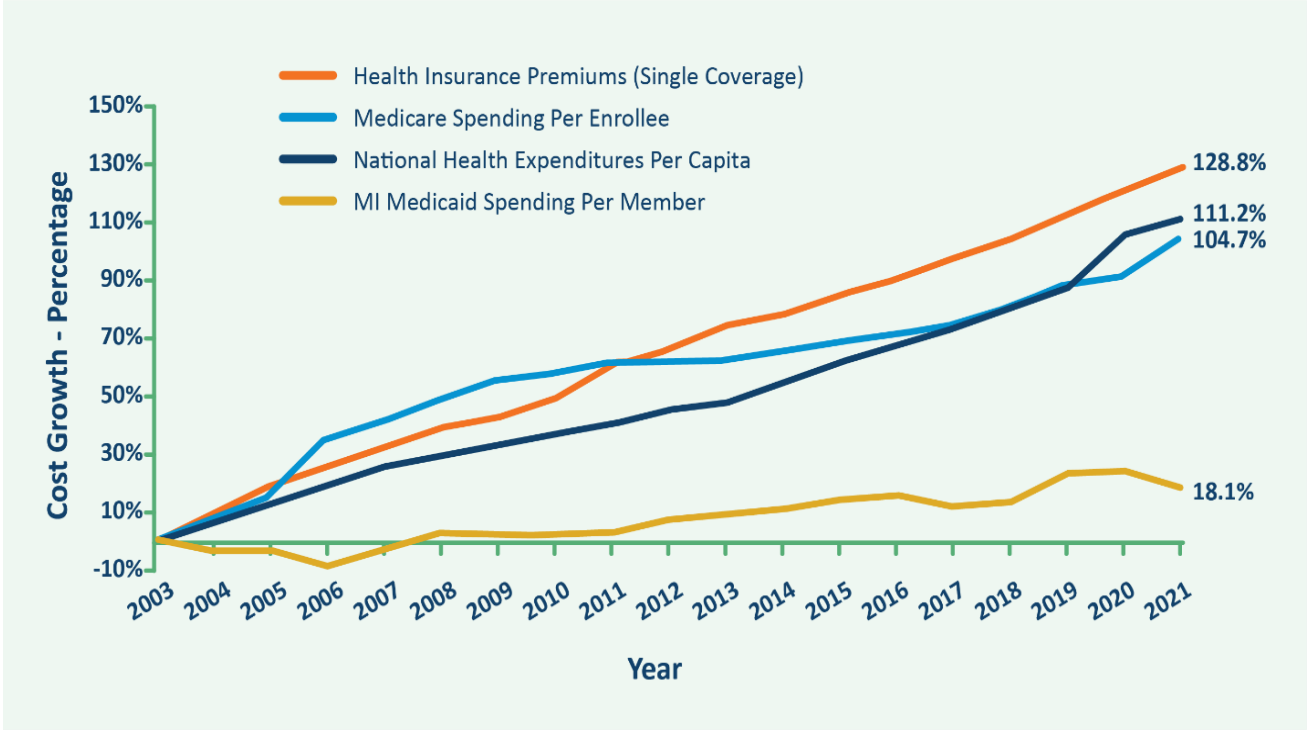
- Michigan's FY25 Medicaid budget is approximately $27.8 billion and 34% of the state's overall budget.
- **More than 70% of the Medicaid budget comes from federal funding.**
- Federal match rates are higher for states with lower per-capita income.
  - Michigan's federal match rate is ~65%.
  - **For every dollar Michigan spends, the federal government contributes an additional $1.87.**
  - For every dollar Michigan cuts, $2.87 is lost for people and providers.



# Michigan Medicaid is Cost-Effective

Michigan's Medicaid program has long been recognized for its cost-effectiveness, providing high-quality coverage to millions while maintaining per-enrollee spending below the national average. However, this efficiency means the program has less room to cut.



# Medicaid's Required Coverage and Services

**Who must be covered under federal law?**

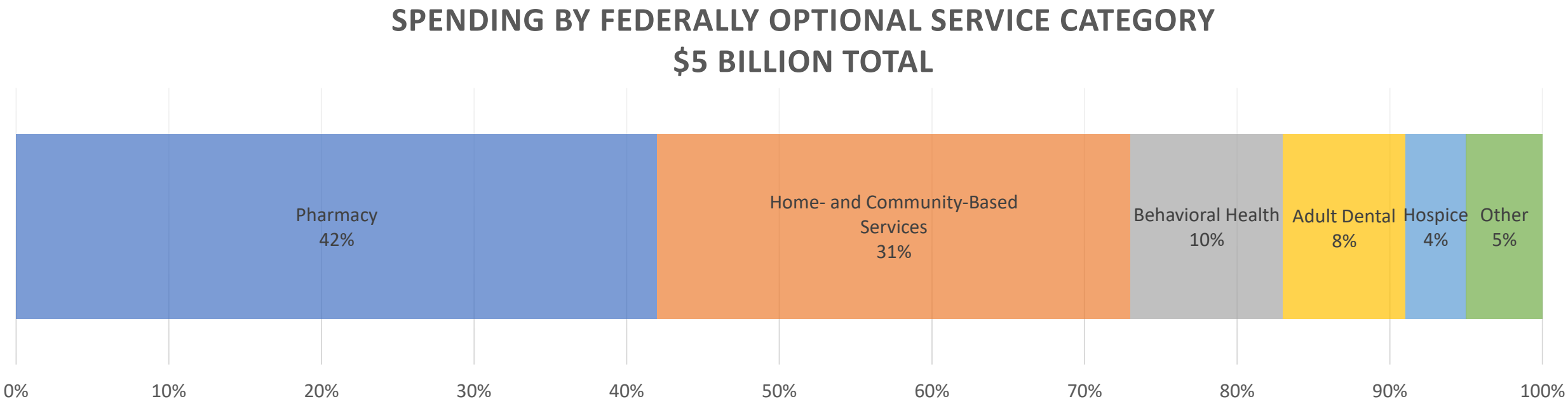
- Older adults (age 65 and older) who receive Medicare and also qualify for Medicaid.
- Individuals who are blind.
- Individuals with disabilities.
- Supplemental Security Income (SSI) recipients.
- Pregnant women.
- Children under age 1.
- Children in foster care.
- Very low-income families with children.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

# Federally Optional Medicaid Spending

- While federal law defines a core set of required Medicaid services, many "optional" benefits — like pharmacy and Home- and Community-Based Services (HCBS) — are essential to cost-effective, community-based care.
- Cutting these supports doesn't reduce waste — it removes critical tools that prevent hospitalizations, delay institutional care, and stabilize individuals in their homes and communities.



# Impact of House Reconciliation Bill to Michigan's Medicaid Program

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# Provider Tax Provisions

## New Restrictions on Medicaid Provider Taxes:

- The House bill would change how provider taxes — used by 49 states to fund Medicaid — can be structured.
- These changes would make certain Michigan provider taxes impermissible.
- A limited **transition period of up to three years** may be available, but only at the discretion of the federal government, which has separately proposed no transition period for states that have annual approval processes like Michigan.

## What's at stake for Michigan:

- **$685 million** in supplemental payments to nursing facilities could be eliminated.
- **$525 million** in state revenue used to offset state general fund costs could be lost, including:
  - **$450 million** from the Insurance Provider Assessment (IPA); and,
  - **$75 million** in state retention.

# Provider Tax Provisions

## Ban on New or Increased Provider Taxes:

- States would be **barred from creating new provider taxes** or modifying existing ones — even if previously approved.
- This change would **eliminate a critical financing tool** that Michigan uses to support Medicaid services without increasing general fund spending.

**Risk:** Michigan would lose the **flexibility to respond to future fiscal pressures** using provider taxes — potentially **forcing cuts to Medicaid services** or **increased reliance on the state general fund**.

## Limits on Medicaid Payment Arrangements:

- New Medicaid **state-directed payments** to providers could not exceed Medicare payment levels — a significant change from the current limit based on average commercial rates.
- Existing federally approved arrangements — such as **Michigan's Hospital Rate Adjustment (HRA)** and **Specialty Network Access Fee** — could continue but would be **frozen at current levels**.

**Risk:** Michigan would **lose the ability to adjust existing payment models** to address changing health care needs or rising costs, leading to **stagnant provider reimbursement rates** and threatening the long-term **stability of critical provider networks**.

# Eligibility Provisions

## New Work Requirements for Medicaid Coverage:

- Requires most adult Medicaid enrollees aged 19–64 to complete 80 hours per month of work, education or approved service activities to maintain coverage, effective Jan.1, 2027.
- Exempts some groups (e.g., pregnant women, medically frail individuals, caregivers), but many enrollees would be subject to these new rules.
- States must verify compliance at application and redetermination.

## More Frequent Eligibility Checks:

- Requires eligibility redeterminations every six months for Healthy Michigan Plan enrollees. These are currently conducted annually.
- Adds new address verification rules that could increase administrative burden and lead to more procedural disenrollments.

## Limits on Retroactive Coverage:

- Reduces the retroactive coverage window from three months to one month prior to application.

# Eligibility Provisions

## What's at stake for Michigan:

- Estimated **$155 million** in implementation costs.
- Potential loss of coverage for over **500,000** individuals.

## Significance of these changes:

**Administrative Burden = Coverage Loss**
Many enrollees meet requirements but may lose coverage due to complex paperwork and red tape.

**Higher Churn Rates → Delayed Care**
Frequent churn caused by paperwork issues disrupts care continuity, hinders access and leaves individuals vulnerable during medical emergencies.

**Rising Uninsured Rates**
Parallel Affordable Care Act changes limiting Marketplace access could leave many individuals without access to coverage, driving up the uninsured rate across the state.

**Increased Uncompensated Care**
Hospitals and local safety nets will be forced to absorb the costs of caring for people who have lost coverage.

# If Proposed Federal Cuts Happen

- Michigan stands to lose hundreds of millions — and potentially billions — in federal funding.
- With a total General Fund operating budget of $14 billion, the state cannot absorb these losses without making **deep** cuts in other critical areas.
- This would place more than a quarter of Michigan residents — and the essential health care providers who serve them — at significant risk.

# Questions?

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