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Title: Medicaid Financing Policies

Introduced by: Nonie S. Arora, Apoorv Dhir, and Nithya Vijayakumar for the Medical Student Section

Original Author: Nonie S. Arora, Apoorv Dhir, and Nithya Vijayakumar

Referred to: Reference Committee A

House Action: **AMEND**

Whereas, Michigan’s Medicaid program covers adults earning an income at or below 133 percent of the federal poverty level, with additional coverage for children, those with disabilities, and those with specific other health needs, and serves 2,289,460 patients as of November 2016 (including CHIP)^{1,2,3}, and

Whereas, the Affordable Care Act allowed for the expansion of Medicaid in Michigan through the Healthy Michigan program, in which the federal government covered 100 percent of the expansion costs, and the federal government’s share will decrease incrementally to 90 percent in 2020, and

Whereas, economic analysis suggests that economic gains from the Healthy Michigan expansion are enough to sustain the costs and improve state revenue³; such gains include a greater number of insured patients in hospitals, a decrease in uncompensated care, and no related changes in insurance premiums, thereby improving hospital and state revenues^{4,5}, and

Whereas, several current federal proposals have suggested reforming Medicaid into a block grant program, which would provide federal grants to states based on fixed-funding formulas relying on current levels of state and federal Medicaid spending in that state⁶, and

Whereas, federal block grants as proposed would divorce funding for Medicaid from costs of providing care and from the number of eligible beneficiaries, thus reducing the value of Medicaid block grants over time⁶, and

Whereas, such reductions in funding for Medicaid over time could increase challenges to funding care for low-income Americans⁶, and

Whereas, block grants usually offer flexibility in exchange for an overall reduction in funding, which is a net negative to Michigan as the lack of per capita considerations would give Michigan less versatility in the event of increased Medicaid enrollment or eligibility in the event of an economic downturn⁶, and

Whereas, others may suggest that block grants foster innovation, yet the current system, including federal waivers allowed within the Medicaid expansion, has already enabled Michigan to increase coverage and saved the state \$235 million, creating macroeconomic benefits including increasing spending and employment in sectors of the state economy within and outside health care, such as construction and retail services⁵, and

Whereas, Michigan's current use of managed care⁷ as well as leveraging of provider taxes⁸ represent innovations currently used to contain costs and limit the financial upside of block grants, and

54 Whereas, other types of reform to Medicaid could be considered that are financially
55 advantageous to Michigan without the negatives of block grants⁶, and

56
57 Whereas, previous MSMS policy supports the expansion of Medicaid under the Affordable
58 Care Act (Board-Jan13) and opposes all cuts in Medicaid reimbursement budgets and supports an
59 increase in payments to a level that covers physician and hospital costs (Res 99-91A); therefore be it

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61 RESOLVED: That MSMS opposes Medicaid financing policies, such as block grants and per-
62 capita funding, that result in reduced funding for Medicaid in Michigan.

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65 WAYS AND MEANS COMMITTEE FISCAL NOTE: NONE

Relevant MSMS Policy:

Equitable Medicaid Reimbursement

MSMS opposes all cuts in Medicaid reimbursement budgets and supports an increase in payments to a level that covers physician and hospital costs. (Res99-91A)

– Amended 1993

– Edited 1998

Medicaid Expansion

MSMS supports the expansion of Medicaid under the Affordable Care Act. (Board-Jan13)

¹ Total Monthly Medicaid and CHIP Enrollment | The Henry J. Kaiser Family Foundation. <http://kff.org/health-reform/state-indicator/total-monthly-medicaid-and-chip-enrollment/?currentTimeframe=0>. Published 2017. Accessed February 15, 2017.

² MDHHS - Health Care Programs Eligibility. http://www.michigan.gov/mdhhs/0,5885,7-339-71547_4860-35199--,00.html. Published 2017. Accessed February 15, 2017.

³ Ayanian JZ, Ehrlich GM, Grimes DR, Levy H. Economic Effects of Medicaid Expansion in Michigan. *N Engl J Med*. 2017;376(5):407-410. doi:10.1056/NEJMp1613981.

⁴ Davis MM, Gebremariam A, Ayanian JZ. Changes in Insurance Coverage Among Hospitalized Nonelderly Adults After Medicaid Expansion in Michigan. *JAMA*. 2016;315(23):2617. doi:10.1001/jama.2016.6303.

⁵ The Healthy Michigan Plan, 2015 Report on Uncompensated Care and Insurance Rates. Michigan Department of Health and Human Services, Michigan Department of Insurance and Financial Services. http://www.michigan.gov/documents/mdhhs/2015_Report_on_Uncompensated_Care_and_Insurance_Rates-HMP_547720_7.pdf.

⁶ Rosenbaum S, Schmucker S, Rothenberg S, Gunsalus R. What Would Block Grants or Limits on Per Capita Spending Mean for Medicaid? Issue Brief (Commonw Fund). 2016;39:1-10. <http://www.ncbi.nlm.nih.gov/pubmed/27959479>. Accessed February 14, 2017.

⁷ Michigan Department of Health and Human Services. MDHHS - Managed Care Organizations. http://www.michigan.gov/mdhhs/0,5885,7-339-71551_2945_42542_42544--,00.html. Published 2017. Accessed February 15, 2017.

⁸ States and Medicaid Provider Taxes or Fees | The Henry J. Kaiser Family Foundation.; 2016. <http://kff.org/medicaid/fact-sheet/states-and-medicaid-provider-taxes-or-fees/>. Accessed February 15, 2017.