

# Medicaid Current and Future Challenges

Council on Health Care Economics and Policy  
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*Presented by:*

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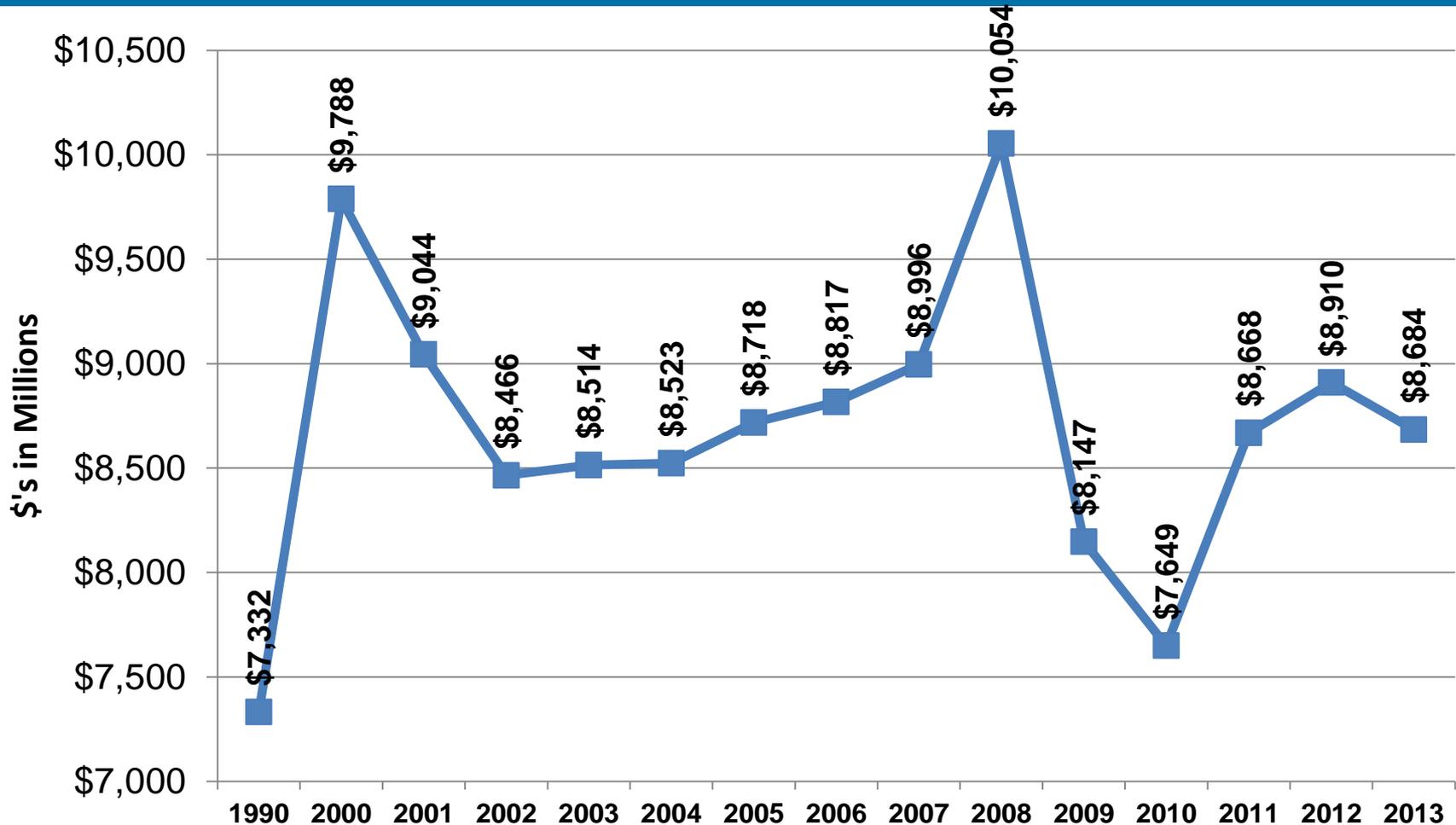


# Topics

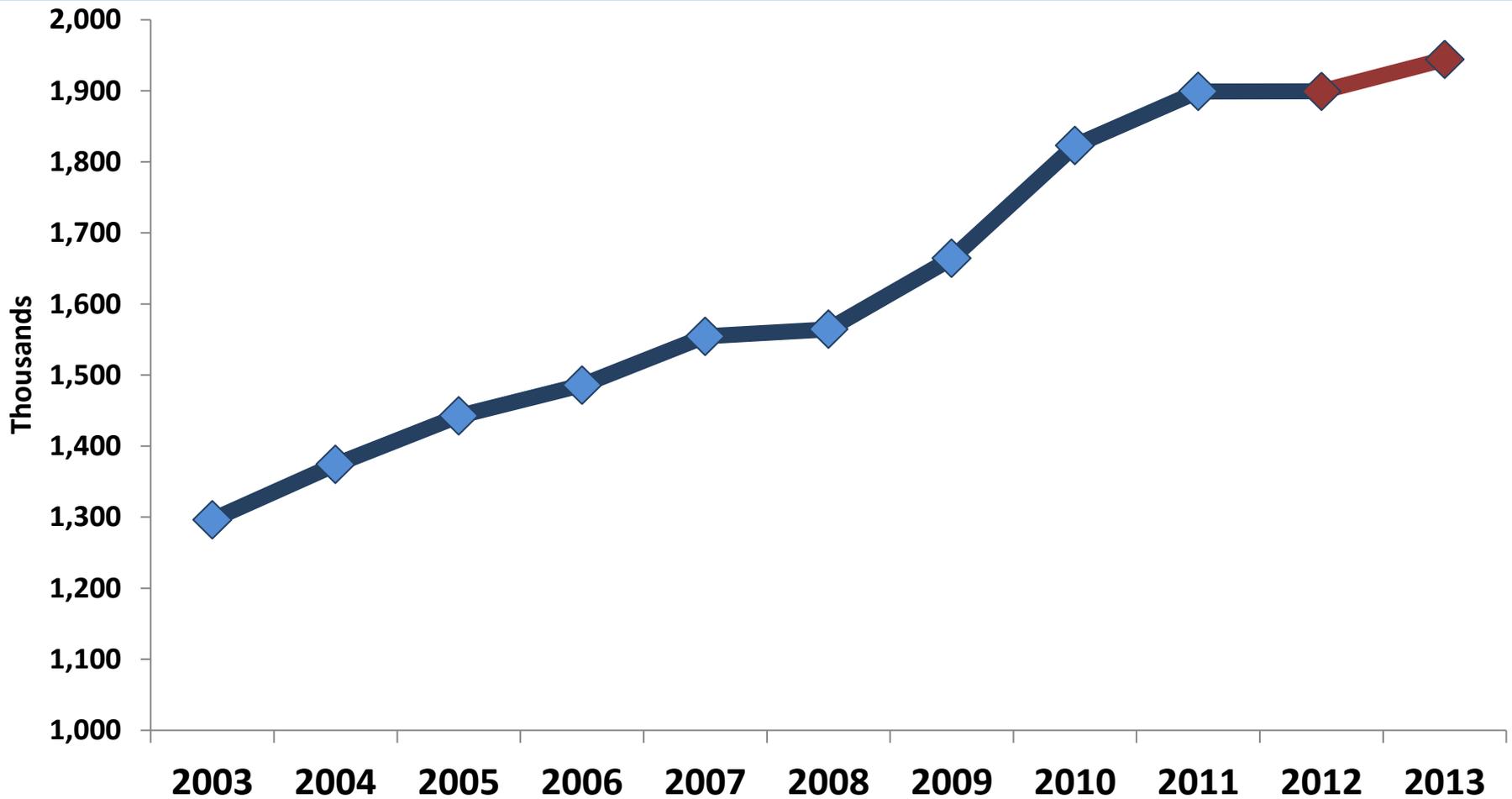
- I. Current status of Michigan Medicaid after decade long recession
- II. Observations about the future of Medicaid in this very dynamic environment



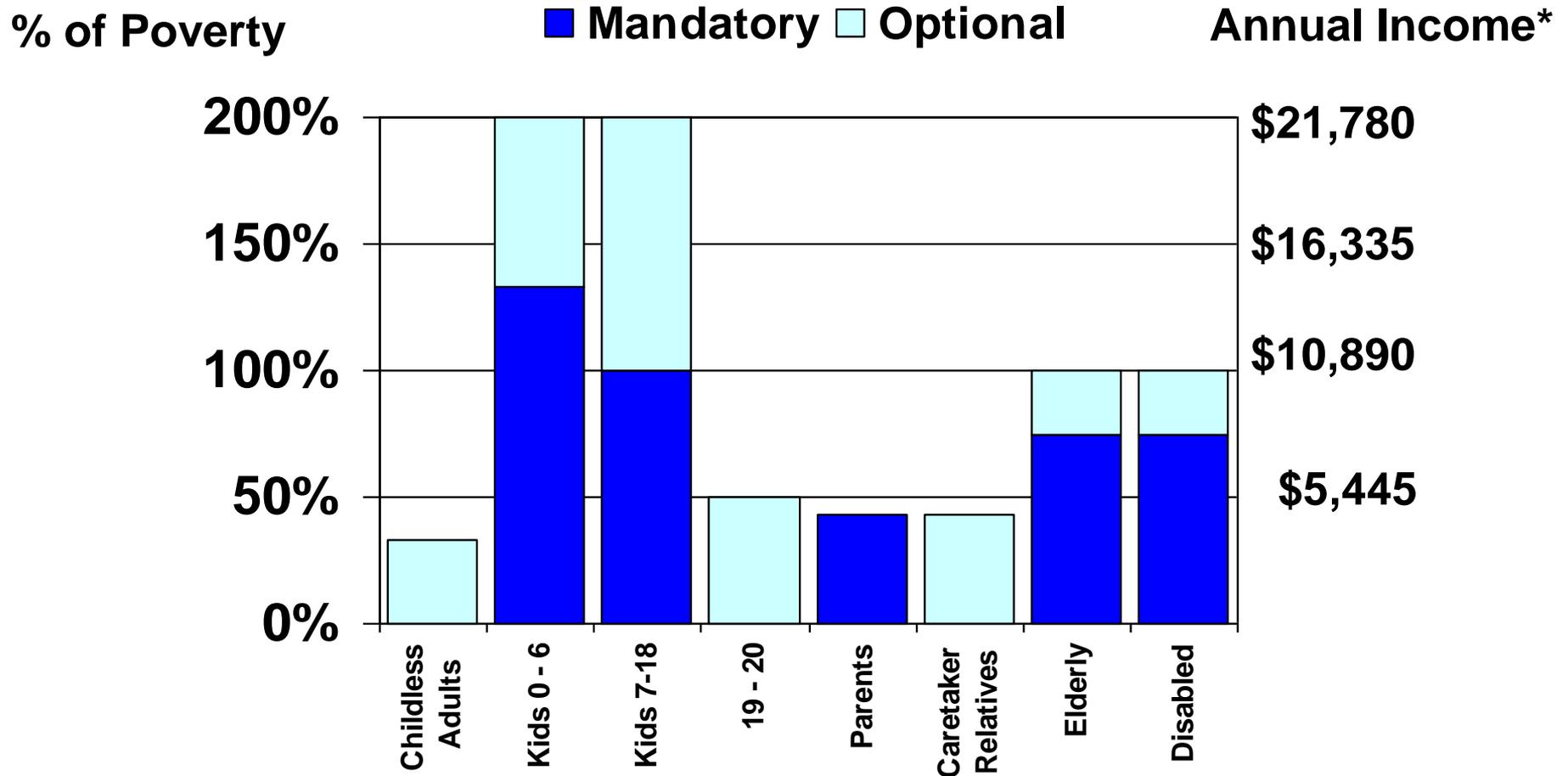
# Michigan's General Fund \$'s



# Michigan Medicaid Caseload



# Michigan Medicaid Eligibility



# Reimbursement Rates

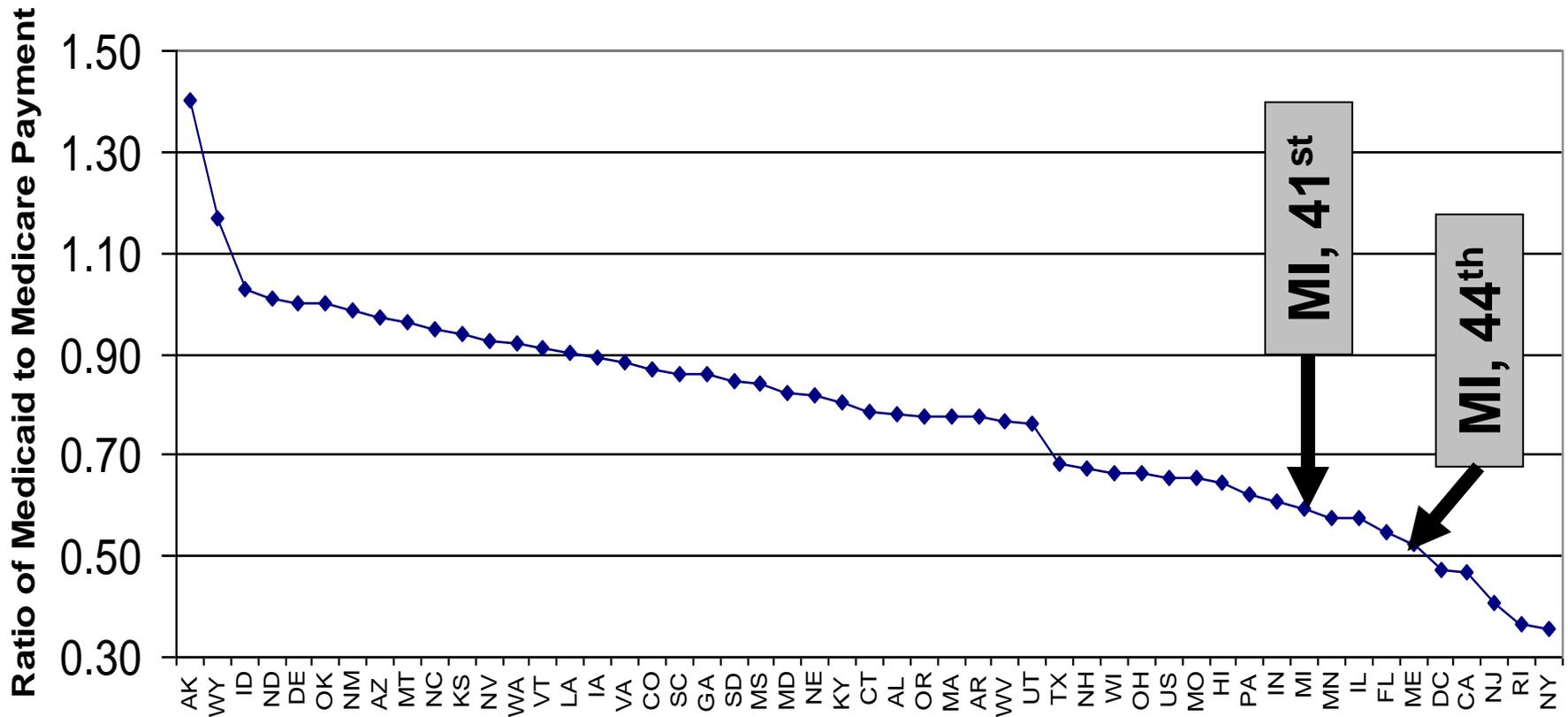
- No across the board rate increases since 2001
- Rate reductions:
  - FY 02 decrease in hospital payments of \$13.7 million (Exec Order)
  - FY 03 nursing home and home health agency rate deduction of 1.85% (Exec Order)
  - 4% rate reduction on 5/1/05 (Exec Order)
  - 4% rate reduction on 6/1/09 (Exec Order)
  - 4% rate reduction on 10/1/09



# Medicaid-to-Medicare Primary Care Reimbursement

How much does Michigan Medicaid currently pay for primary care?

- 54% of Medicare payments
- Medicare significantly lower than private payment

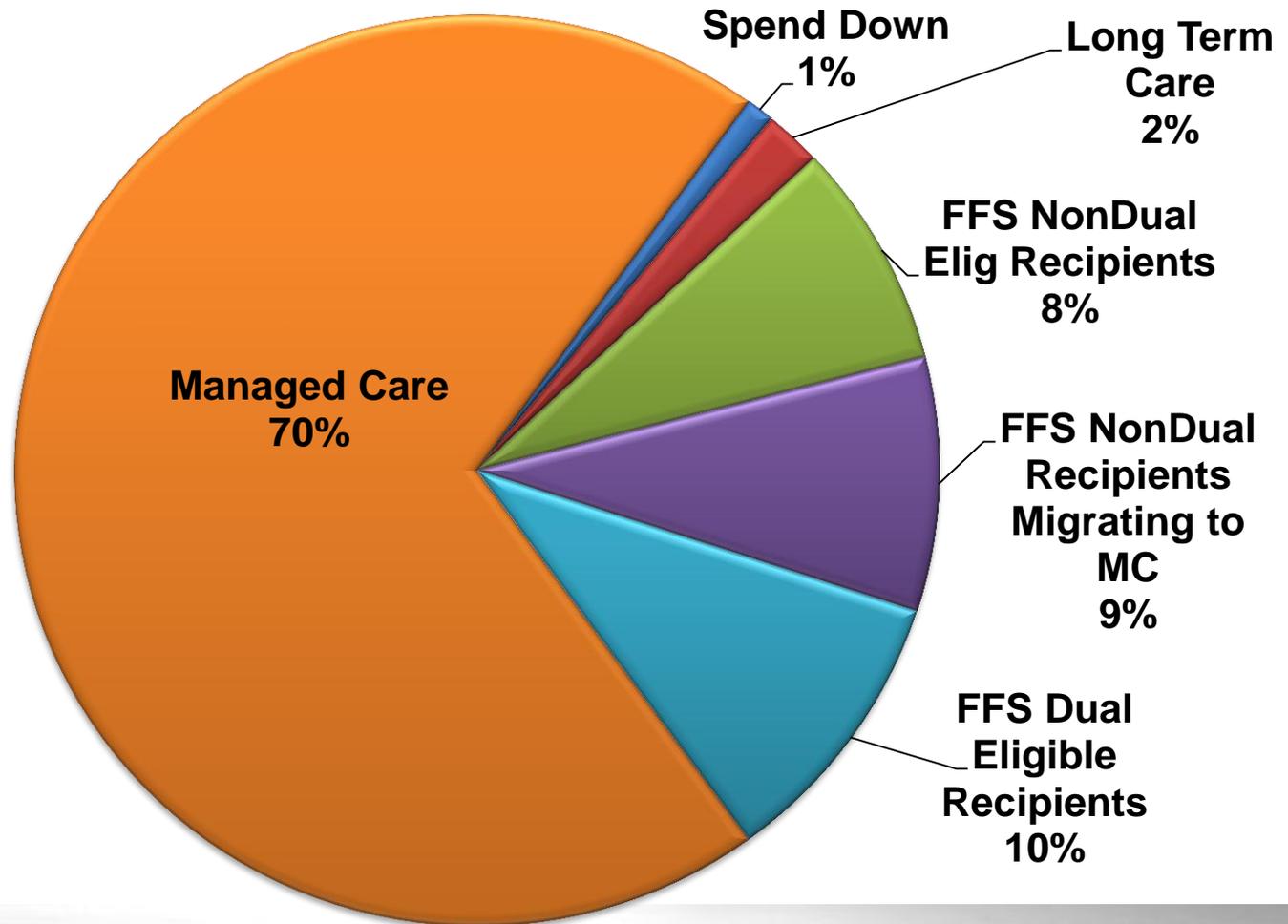


Source: Zuckerman et al *Health Affairs*

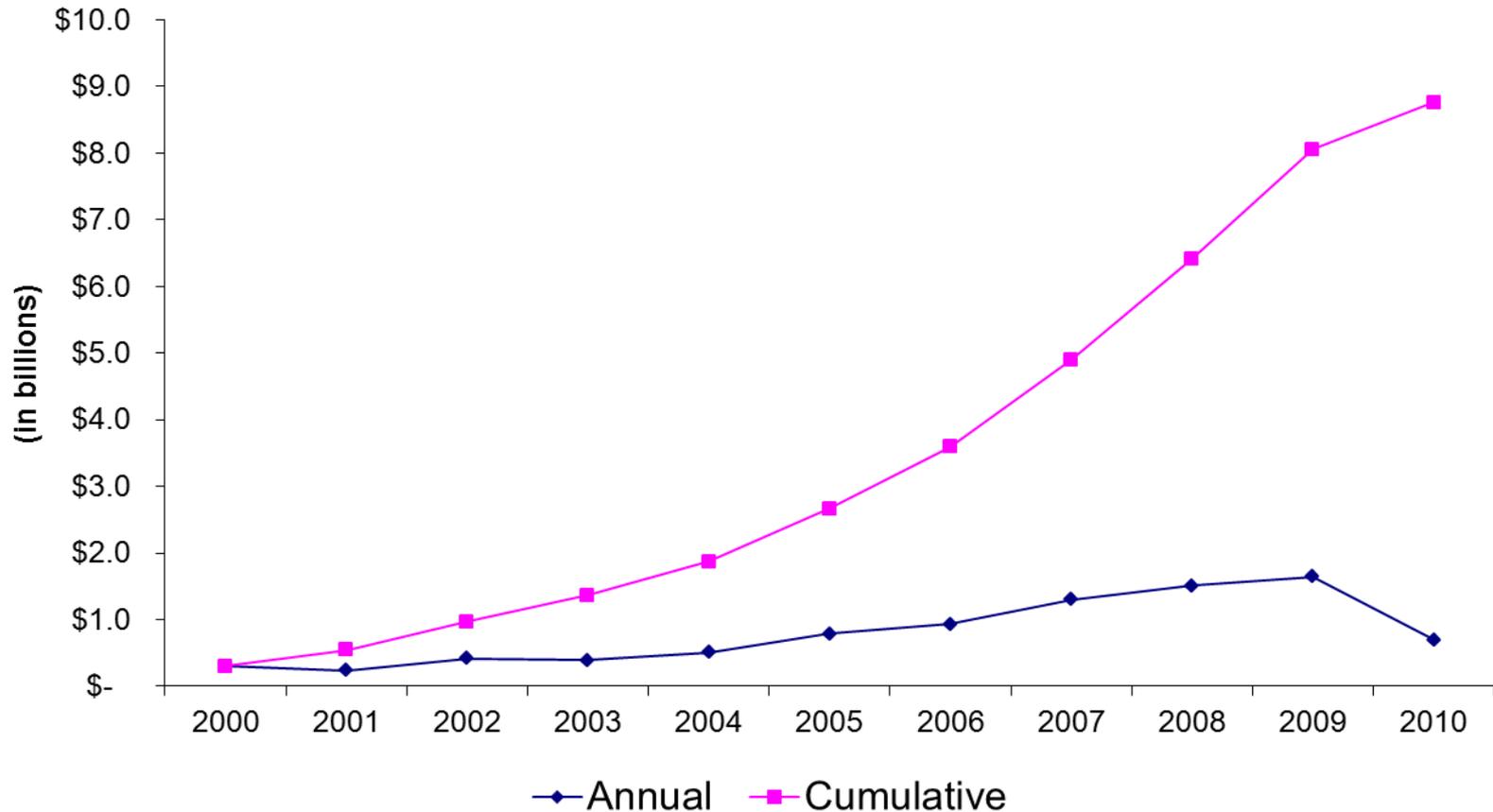
**8% Rate Cut Pushes MI Down to 44<sup>th</sup> in the Nation**



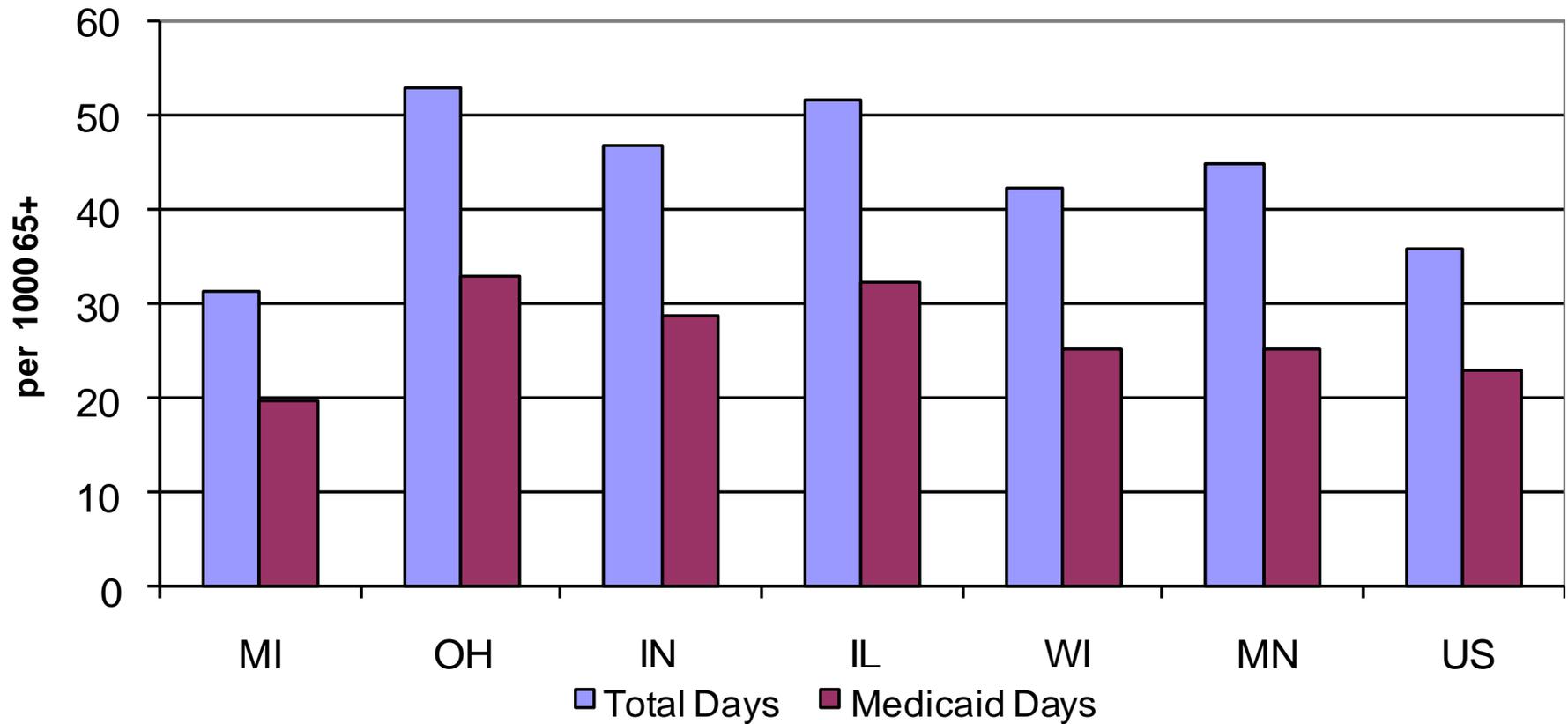
# Michigan Medicaid Service Delivery System FY 11



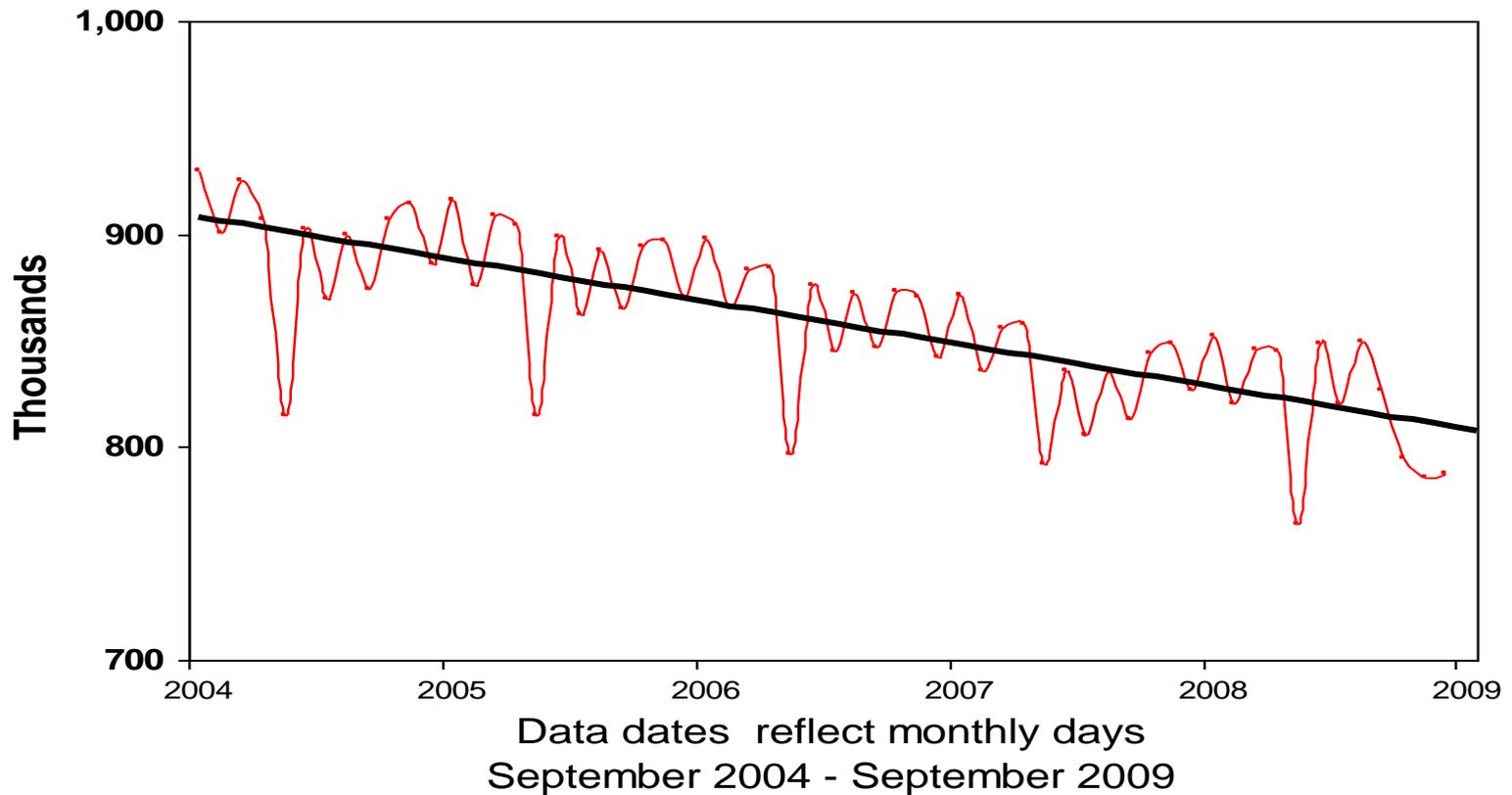
# Michigan Medicaid Managed Care Total Savings



# Nursing Facility Utilization FY 08



# Nursing Home Days - Monthly



# Governor Snyder's FY12 Budget Base Adjustments

	<b>Gross</b> (in thousands)	<b>GF/GP</b> (in thousands)
Remove ARRA FMAP from Base	\$20,877.0	\$564,669.2
Regular FMAP Adjustment	\$431.6	(\$29,913.6)
FY 11 Caseload/Utilization/Inflation	\$115,537.6	\$47,780.5
FY 11 Special Medicaid Payment Adjustments	(\$10,314.7)	\$15,726.7
FY 12 Caseload/Utilization/Inflation	\$321,985.2	\$133,160.1
FY 12 Actuarial Soundness	\$0.0	\$0.0



# Access to Care/Medicaid Rates

## Claims Tax @ 1%

	<b>GF/GP</b> (in millions)
Claims Tax as Replacement to Fund Base Medicaid Program	(\$396.4)
Reduce GME Payments by 40% \$67.3M Gross	(\$22.8)
Increase Primary Care GME by 15% -Funded from Regular GME pool -Regular GME Pool Reduction: \$70.0M (46%)	(\$0.0)
Establish Home Help Limit \$17.7M Gross	(\$6.0)

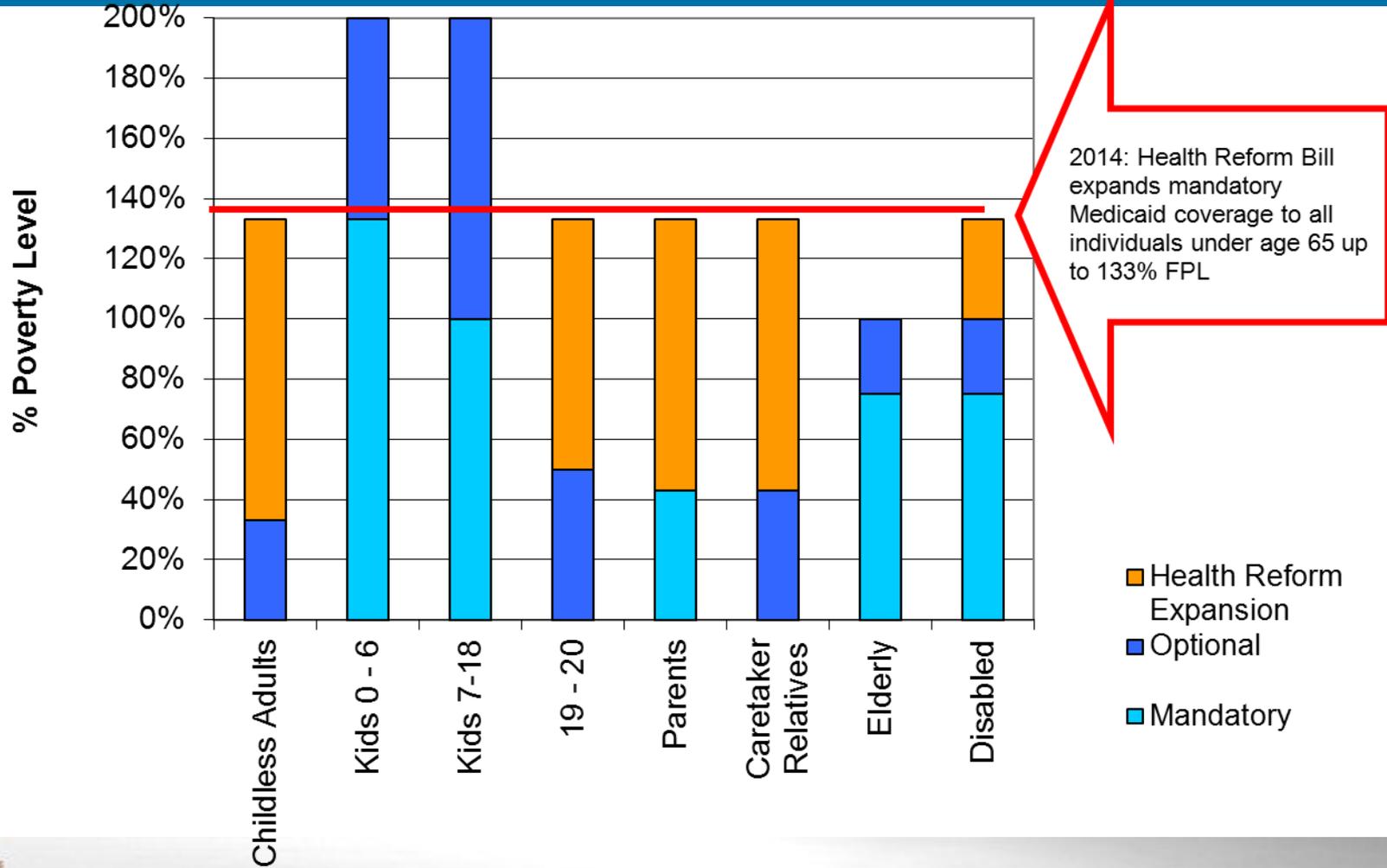


# Reform/Reinvent

	<b>GF/GP</b> <b>(in millions)</b>
Implement CSHCS Managed Care Projected Savings: (\$11.0M) Gross	(\$3.7)
Add Behavioral Drugs to Preferred Drug List Projected Savings: (\$18.7M Gross)	(\$6.3)
Annual Review of Continued Drug Use not on PDL	
Integrated Care for Dual Eligibles Projected Savings: (\$29.4M) Gross	(\$10.0)
Implement TPL for Autos	(\$5.0)
Enhanced Estate Recovery	(\$3.4)

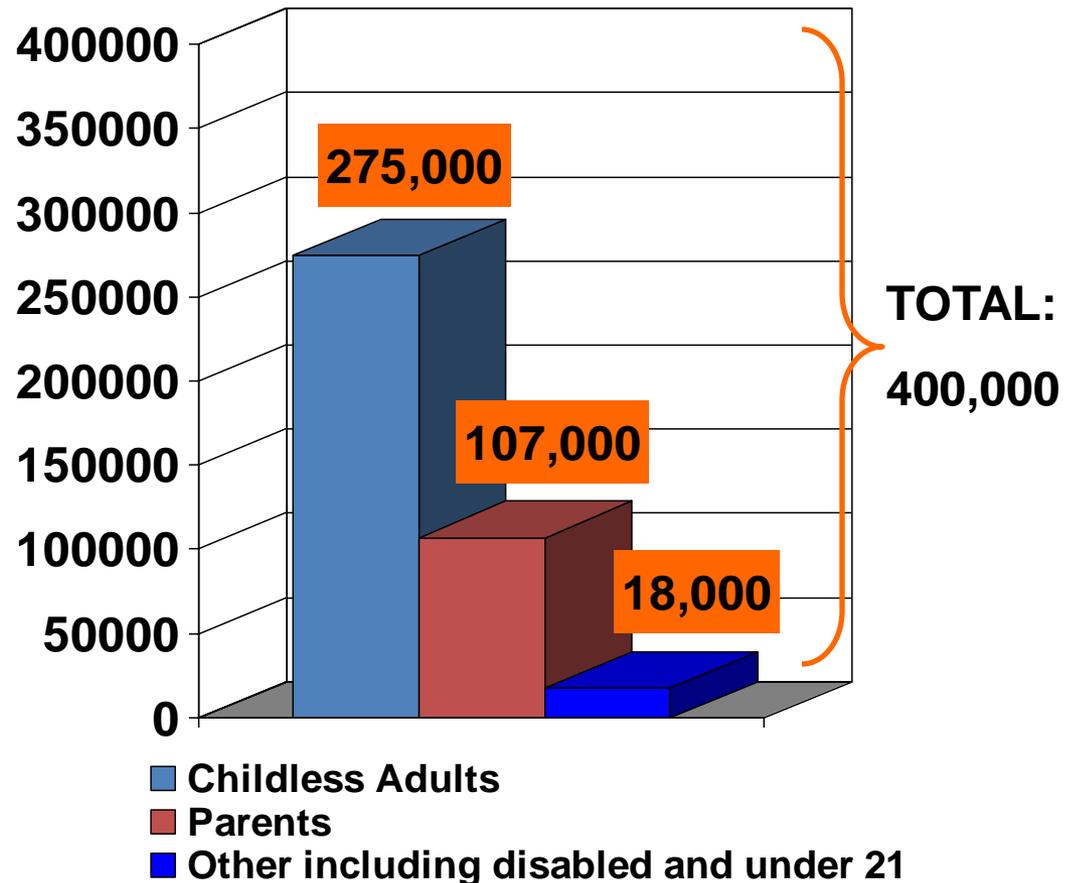


# Current MI Medicaid and CHIP Eligibility + Health Care Reform Expansion

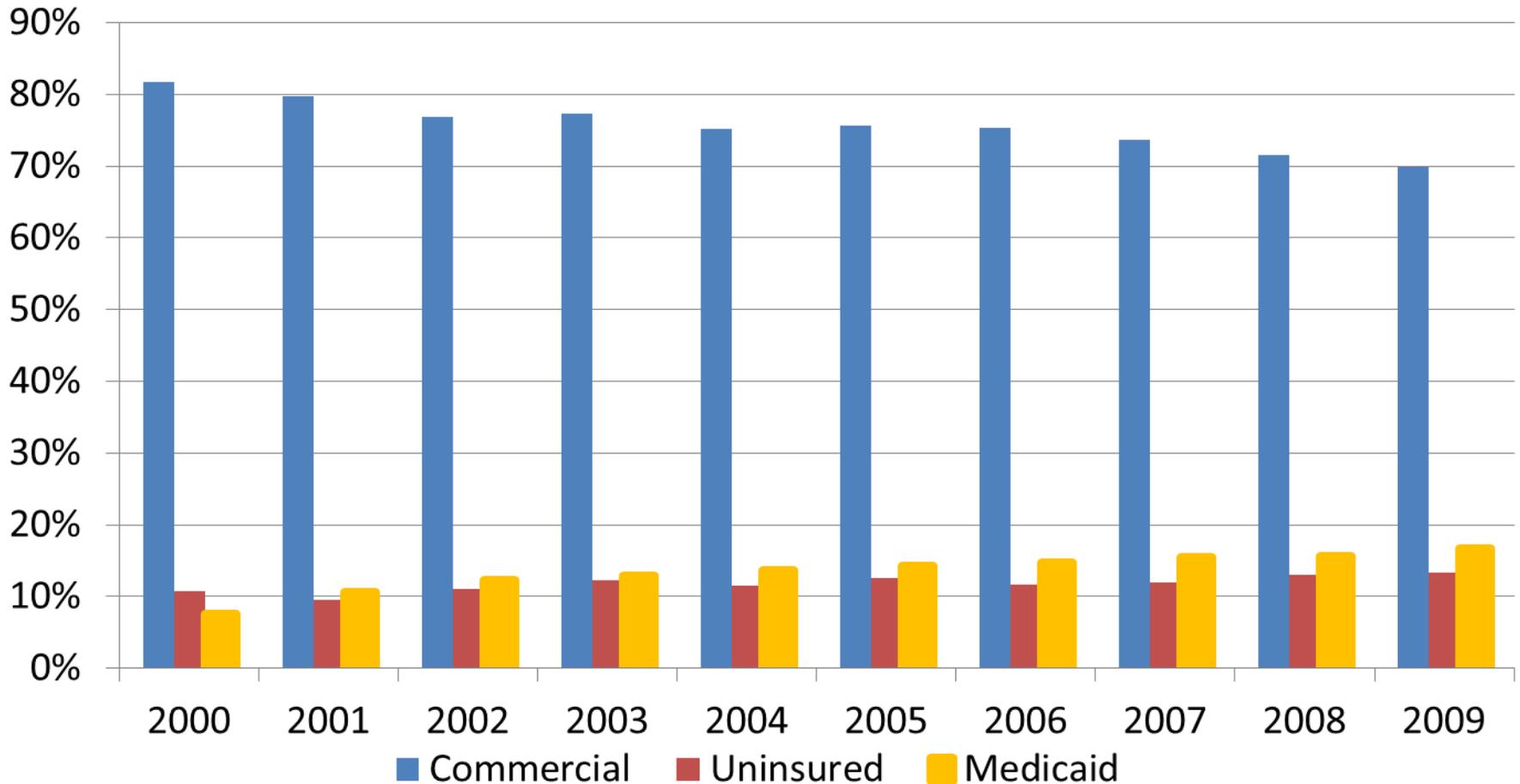


# Estimated Enrollment of Newly Eligible Beneficiaries

Health Care Reform Bill expands mandatory Medicaid coverage to all individuals under age 65 up to 133% of the FPL (\$29,327 for a family of four).



# Michigan's Population Covered by Health Insurance

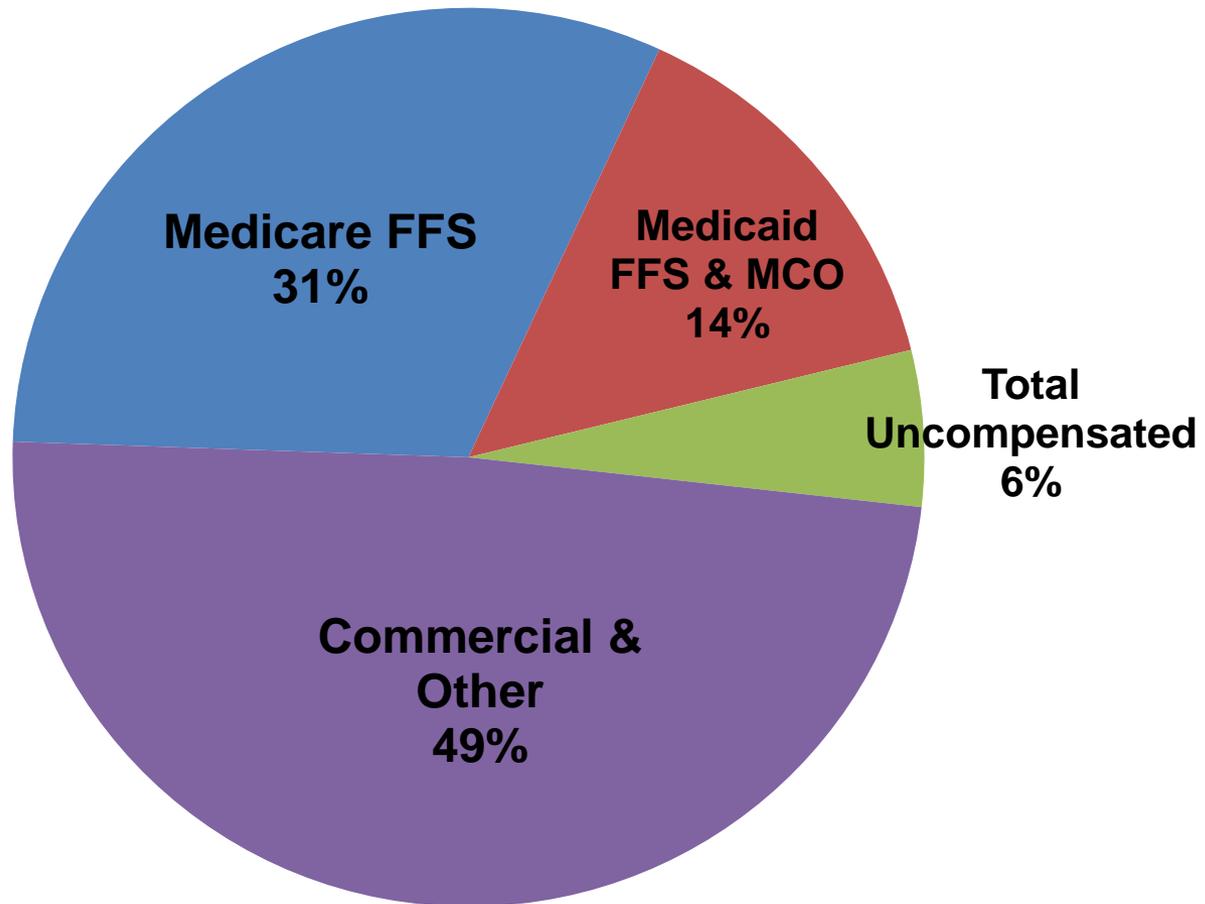


# Health Care Reform and Medicaid

- Additional coverage, mostly federally subsidized, potentially of great benefit to states
- Takes pressure off of private health insurance premiums (Families USA 2008 estimate adds \$1,017 to family policies)
- Many opportunities/ideas to reform health care system and increase cost effectiveness



# Michigan Hospital Payer Mix



# Can Medicaid Absorb More Lives?

- What is Medicaid replacing?
- Medicaid has different mix of providers including many with other public subsidies
- Viability of health system is both a local and collective question – communities care about their hospital and other health providers – don't care too much where \$s come from
- Health care very sensitive to market based adjustments (e.g., hospital or HMO failures)



# Health Care Cost Growth

- Key question for all payers and as a matter of national priority – does more coverage = \$\$\$s?
- Will health care delivery systems financially adjust to changes in coverage, reimbursement methods and different mix of services?
- Hospital infrastructure costs – challenged to respond with agility
- Hospitals as employers, especially in smaller communities



# What is State ACA Strategy?

- ACA has a collection of ideas for improving health care quality and cost effectiveness
- Wide-ranging, disparate notions
- Medicaid challenged in what ideas to embrace and how to move forward with a coherent strategy
- Help to have a coordinated strategy with private sector plans and key provider groups



# Michigan Medicaid Strategy

- Organized service delivery systems
- Financing methods that support flexibility in resource allocation
- Duals – coordinated strategy with federal government rationalizing/organizing two misaligned systems
- Exchange – plan coordinated strategy with objectives of seamless transitions and effective approach with markets



# Questions

