

FY 2014 Budget: Medicaid Expansion

Discussion Points

- This was a decision that was studied closely and thoroughly. Ultimately, the governor believes moving forward makes sense for Michigan. It's a fiscally sound decision with appropriate safeguards that will be good for our citizens and good for our economy.
- A competitive health care marketplace and access to care promote both physical and financial health.
- The governor is committed to ensuring access to affordable, quality health care for Michigan citizens in a financially responsible, sustainable way. Creating access to primary care providers and preventive care will reduce more costly emergency room visits and decrease uncompensated care costs, which lead to increased costs for everyone.
- As a result of the Affordable Care Act employers face financial penalties if their workers do not have access to affordable health insurance beginning in 2014. This action will lessen the cost/burden on businesses in Michigan by reducing the amount of uninsured by 46% and ensuring our small and medium businesses can focus on retaining and creating more and better jobs.
- While this is a federal program and not necessarily one that Michigan would have created, it is critical that the state be in the driver's seat as much as possible, as we are in a much better position to understand and meet the needs of Michiganders than the federal government.
- If coverage was not expanded, Michigan would be leaving money on the table and sending those resources to other states.
- Increasing the eligibility for Medicaid recipients to 133% of the FPL will provide health care for 322,000 uninsured Michigan citizens in the first year and more than 470,000 by 2021, reduce employer health care costs, increase economic activity in the state, reduce prison recidivism and decrease the state's long-term health care liabilities.
- Michigan is planning for the future to ensure that any additional costs are covered when federal support is slowly scaled back or if there are any changes in federal commitment down the road.
 - Specifically, the governor recommends depositing 50% of the revenue from expansion into a special health care savings account. Deposits from the revenue will continue for seven straight years up until fiscal year 2020. By fiscal year 2021, Michigan will have had a low income population between the ages of 21 and 65 managed for several years by a primary care physician with access to preventive and primary care services, leading to better management of health care costs.

Leveraging federal funds for Michigan

- Feds cover 100% of the expansion for the first three years then 90% beginning in 2020. Michigan will ultimately be responsible for 10% of the cost to insure an additional 470,000 citizens.
- More than \$20 billion in federal funding will flow to Michigan from 2013-2023.
- The General Fund will experience savings of \$1.2 billion from 2013-2020 as a result of expansion. The change is GF neutral beyond 2020.
- If not expanded, tax dollars from Michigan would be sent to cover health care for residents of other states that choose to participate.

Ensuring existing capacity to handle increase of insured patients

- The University of Michigan Center for Healthcare Research & Transformation conducted a survey of primary care physicians in Michigan and discovered that:
 - 81% of primary care physicians have the capacity to take new patients.
 - Of that group, more than 90% said they had the capacity and would accept new Medicaid patients.

Helping Michigan's small businesses and job providers

- Businesses are subject to penalties under ACA, beginning in 2014, if they do not offer affordable health care options. Expanding Medicaid to cover an additional 470,000 will lessen the burden on Michigan businesses and help them avoid federal penalties.
- Employees who have health insurance are more likely to receive preventative care and miss less work due to illness. This means a more productive workforce.
- Influx of money to Michigan means an increase in economic activity for local businesses.

Making primary care physicians accessible; coordinating care

- Medicaid allows those previously uninsured to have a primary care provider, which will reduce more expensive visits to emergency rooms.
- Reduces uncompensated care costs caused by those who are unable to pay emergency room bills. These costs end up being passed on to citizens in the form of higher insurance prices.
 - The Kaiser Commission on Medicaid and the Uninsured issued a report in November that estimated that Michigan's savings from decreasing uncompensated care through Medicaid expansion is expected to reach \$351 million through 2022.
- Having a primary care provider helps to treat health problems at an early stage, before more costly procedures are necessary.

Reducing Prison Costs/Recidivism

- A large portion of the prison population suffers from serious mental illness and substance abuse and creating access to behavioral health services will reduce both the amount of prisoners as well as recidivism.
- Even a modest reduction in recidivism would save over \$100 million in the next 10 years.