



The Potential Impact of Expanding Medicaid in Michigan

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University of Michigan

April 25, 2013



Background

- June 28, 2012: Supreme Court ruling makes Medicaid expansion optional for states.

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Breaking news **The Supreme Court has struck down the individual mandate for health care.** Close x

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Mandate struck down

High court finds measure unconstitutional

Justices' ruling overturns requirement that Americans must buy health insurance. The decision will affect you, generations of Americans and this fall's presidential race. [FULL STORY](#)

- Five scenarios: Health care options
- A lot on the line for small business
- Attention quickly turns to Congress
- **LIVE:** Crowd gathers outside court



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WHAT IT MEANS TO YOU: PERSONAL

- How the decision will affect you**
- The voters' view**

nexus 7

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Michigan Senate Fiscal Agency memo

June 28, 2012

“...while there would be long-term [general fund] costs for the [Medicaid] expansion, there would be savings that would more than offset any costs from the first day. As such, it is unlikely that the expansion would lead to any [general fund] costs for the State in the first few years; instead, there likely would be savings of at least \$200.0 million [general fund] until the match requirement started to take effect in 2017.

Therefore, the decision on whether to comply with the Medicaid expansion will be more of a policy issue than a fiscal issue. The fiscal impact of the expansion would not be an impediment to compliance.”



Background

- June 28, 2012: Supreme Court ruling makes Medicaid expansion optional for states.
- Immediately clear that for “marginal” states like Michigan, objective information on state impact would be important
 - Number covered
 - Cost to state
 - Savings to state
 - (Provider capacity)
- This had to come from inside the state.
 - The team: Tom Buchmueller (UM Ross; CEA 2011-2012), Marianne Udow-Phillips (Center for Health Care Research & Transformation), Josh Fangmeier (CHRT), and me.
 - Started discussion days after the ruling.

How to estimate fiscal impact?

Principle #1: Transparency

- Wherever possible, use published numbers and provide a complete citation.

Principle #2: Try to avoid controversial assumptions

- No multiplier
- No claims about job creation
- Minimal role for cost-shifting



Issue Brief October 2012

The ACA's Medicaid Expansion: Michigan Impact

State Budgetary Estimates and Other Impacts

ISSUE BRIEF

While the U.S. Supreme Court's decision on June 28, 2012, largely upheld the constitutionality of the Affordable Care Act (ACA), one provision was not upheld: penalties for states that opt out of the law's Medicaid expansion. This left the decision to expand Medicaid—or not—to individual states, and as a result, it is now uncertain whether or not Medicaid will be available to all individuals below 138 percent of poverty in 2014 as the law intended.

Policy makers in each state must analyze the implications of the Medicaid expansion and determine whether or not the expansion makes sense for their state, taking into account state budgetary considerations, federal financial incentives, human service priorities, and the anticipated effects of the expansion on the general economy and population health.

This issue brief is intended to provide Michigan policy makers and the public at large with a useful tool to consider this question by projecting the likely 10-year economic impacts in our state. Wherever possible, the issue brief uses publicly available and independently validated information and sources; the analysis was based on conservative assumptions. A companion paper to this issue brief models three different scenarios: high, medium, and low rates of Medicaid enrollment as a result of the expansion. The paper is available online at www.chrt.org. This issue brief reports on the middle scenario.

Key Impacts of Medicaid Expansion

Coverage 2

Financial Impacts 4

Other Impacts 6

Conclusion 8

FIGURE:1

Projected Adult Medicaid Take-up Rates, 2014 and 2020

	2014		2020	
	#	%	#	%
Newly eligible, uninsured	204,732	36.30%	409,464	72.60%
Newly eligible, privately insured	83,496	14.20%	208,740	35.50%
Currently eligible, uninsured (due to expansion)	1,160	1.04%	1,658	1.48%

Impact in a nutshell

Costs:

- The state's share of cost for new enrollees
(nothing in 2014-2016; 10% in 2020 and later)

Cost offsets:

- More provider tax revenue
- Lower spending out of state funds on care for uninsured

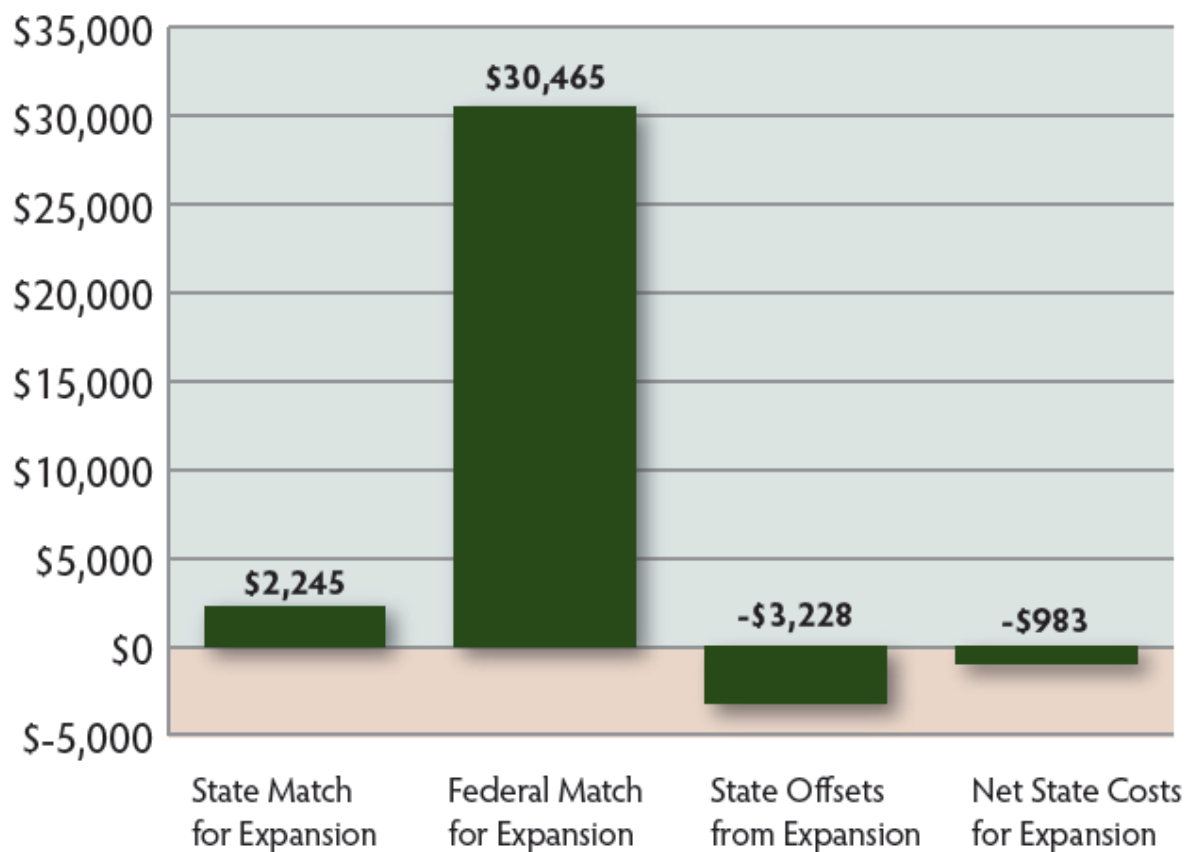
FIGURE:5

**Cost Savings to the State from the Medicaid Expansion,
2014-2023⁶, in Millions**

	First 5 Years (2014-2018)	Second 5 Years (2019-2023)	Total 10 Years (2014-2023)
Increase in Provider Tax Revenue	\$183	\$262	\$444
Elimination of Adult Benefit Waiver Program	\$188	\$207	\$395
Reduction in Non-Medicaid Mental Health	\$885	\$977	\$1,861
Reduction in Prisoner Inpatient Medical Services	\$234	\$271	\$504
Savings in State Employee Health Care Costs	\$9	\$13	\$23
Total State Budget Savings due to Expansion	\$1,499	\$1,730	\$3,228

FIGURE:6
Net Cost Impacts to the State of the Medicaid Expansion,
2014-2023⁷

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Cumulative 2014-2023
Gross Costs \$ millions	\$3	\$4	\$5	\$173	\$216	\$259	\$378	\$390	\$402	\$414	\$2,245
Budget Offsets	\$271	\$288	\$302	\$315	\$323	\$330	\$338	\$346	\$354	\$362	\$3,228
Net Costs (Savings)	\$(268)	\$(283)	\$(297)	\$(142)	\$(106)	\$(71)	\$41	\$44	\$48	\$52	\$(983)
Net Costs (Savings) per Expansion Enrollee	\$(925)	\$(653)	\$(553)	\$(232)	\$(172)	\$(115)	\$65	\$71	\$77	\$83	

FIGURE:7**Summary of Fiscal Impacts of Medicaid Expansion, 2014-2023,
in Millions**



Caveats

- We focused only on immediate fiscal impact on Michigan
 - Federal share comes from nowhere
 - Not a general equilibrium analysis (understatement)

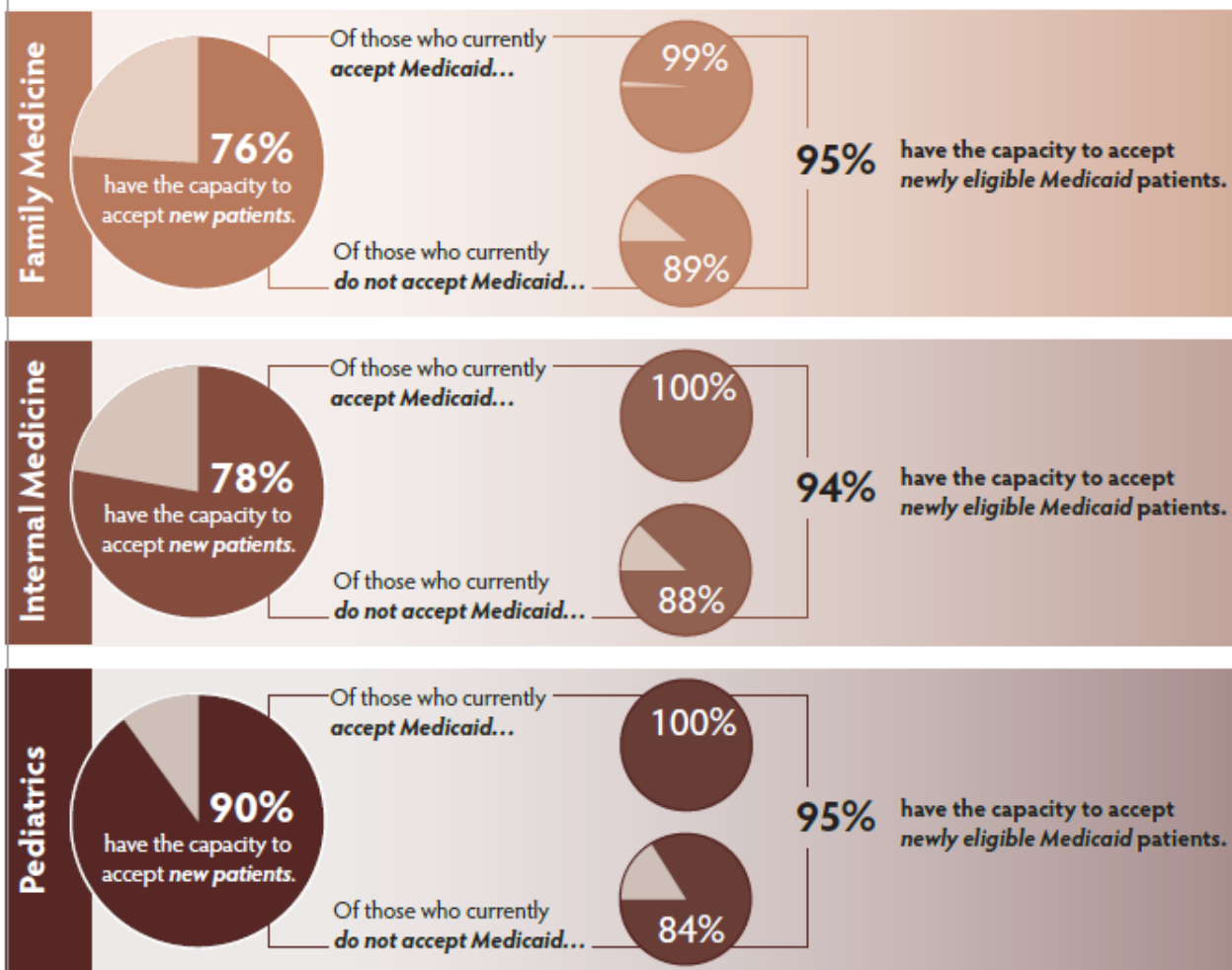
The next question: What about access?

- Would new Medicaid enrollees be able to find providers who would see them?
 - What about existing Medicaid enrollees?
- Two separate CHRT surveys provide relevant information.
 - Household survey (“Cover Michigan”) surveys about 1,000 Michigan residents about coverage and access
 - Provider survey in 2012 (PI=Matt Davis, Univ. of Michigan; recently named Chief Medical Executive for Mich.)

Access results

- Provider survey: some fraction of primary care folks say they are taking new Medicaid patients now and plan to take new eligibles in the future (check)
- Household survey: 91% of Medicaid enrollees say that scheduling a routine appointment is “very” or “somewhat” easy.

FIGURE 1

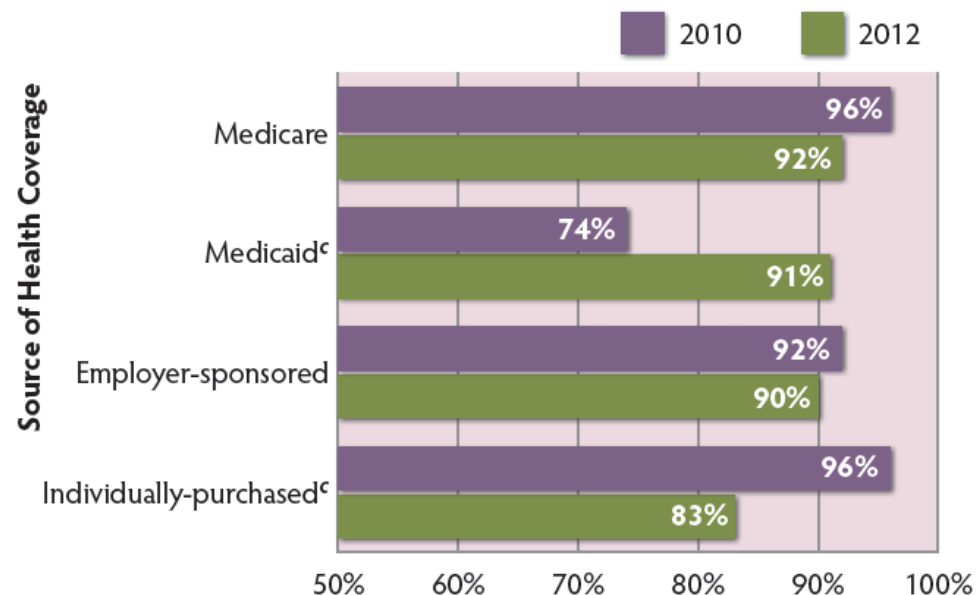
Proportion of Primary Care Physicians Reporting Capacity to Accept Additional Patients with New Coverage in the Future

Source:
*Primary
 Care
 Capacity
 and
 Health
 Reform: Is
 Michigan
 Ready?*
 CHRT,
 January
 2013

Source: *Access to Health Care in Michigan*, CHRT,
March 2013

FIGURE:5

Reported ease of scheduling primary care appointments as "very" or "somewhat" easy by coverage type, 2010^a and 2012^b



^a Significant difference in ease of scheduling primary care appointments by coverage type among 2010

^b Relationship between coverage and ease of scheduling appointments in 2012 is not statistically significant when "very" and "somewhat" easy and "very" and "somewhat" difficult are combined. Relationships are statistically significant for 2012 when the variables are not combined

^c Significant difference in ease of scheduling primary care appointments by coverage type comparing 2010 and 2012 for respondents with Medicaid and Individually-purchased coverage

A story without an end, for now

- The best evidence we have shows:
 - Positive fiscal impact for the state over 2014-2023
 - Existing Medicaid enrollees have good access to primary care
 - Primary care providers have capacity to serve new Medicaid enrollees
- On Feb. 6, 2013, Governor Rick Snyder endorsed the Medicaid expansion in Michigan and included it in his budget proposal.
- The legislature has not yet approved a budget.
- To be continued.