

HEALTH MANAGEMENT ASSOCIATES



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Medicaid 101 – Some History and a Block Grant Primer

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Medicaid 101

1. A Condensed History
2. Medicaid Cost Increases in Perspective
3. Medicaid is the Largest Source of Federal Revenue for Michigan
4. Block Grants or Per Capita – Be on Guard

1. Medicaid History Condensed

- Federal legislation passed in 1965 (Title XIX of the Social Security Act)
- Financing and control are shared between federal and state governments – federal minimum financial support is 50%
- Bias toward children—Early and Periodic Screening, Diagnosis, and Treatment (EPSDT)
- Majority of spending on aged and disabled
- No two state Medicaid programs are the same

2. Medicaid Cost Increases in Perspective

- Beware of Unexamined Assumptions
- Medicaid Compares Favorably to Private Health Insurance
- Health Care Cost Increases are a Longstanding Issue in the U.S.
- Health Plans a Major Part of Michigan's Medicaid Solution

Detroit News Says Medicaid Costs Are Soaring

Michigan's Medicaid costs soar

While the state's Medicaid spending has surged, it has used a mix of tobacco taxes, tobacco settlement money and health provider taxes to keep Medicaid from sapping the overall state budget.

Spending per Medicaid case



*Appropriated

Source: Michigan Senate Fiscal Agency

Medicaid as share of state budget



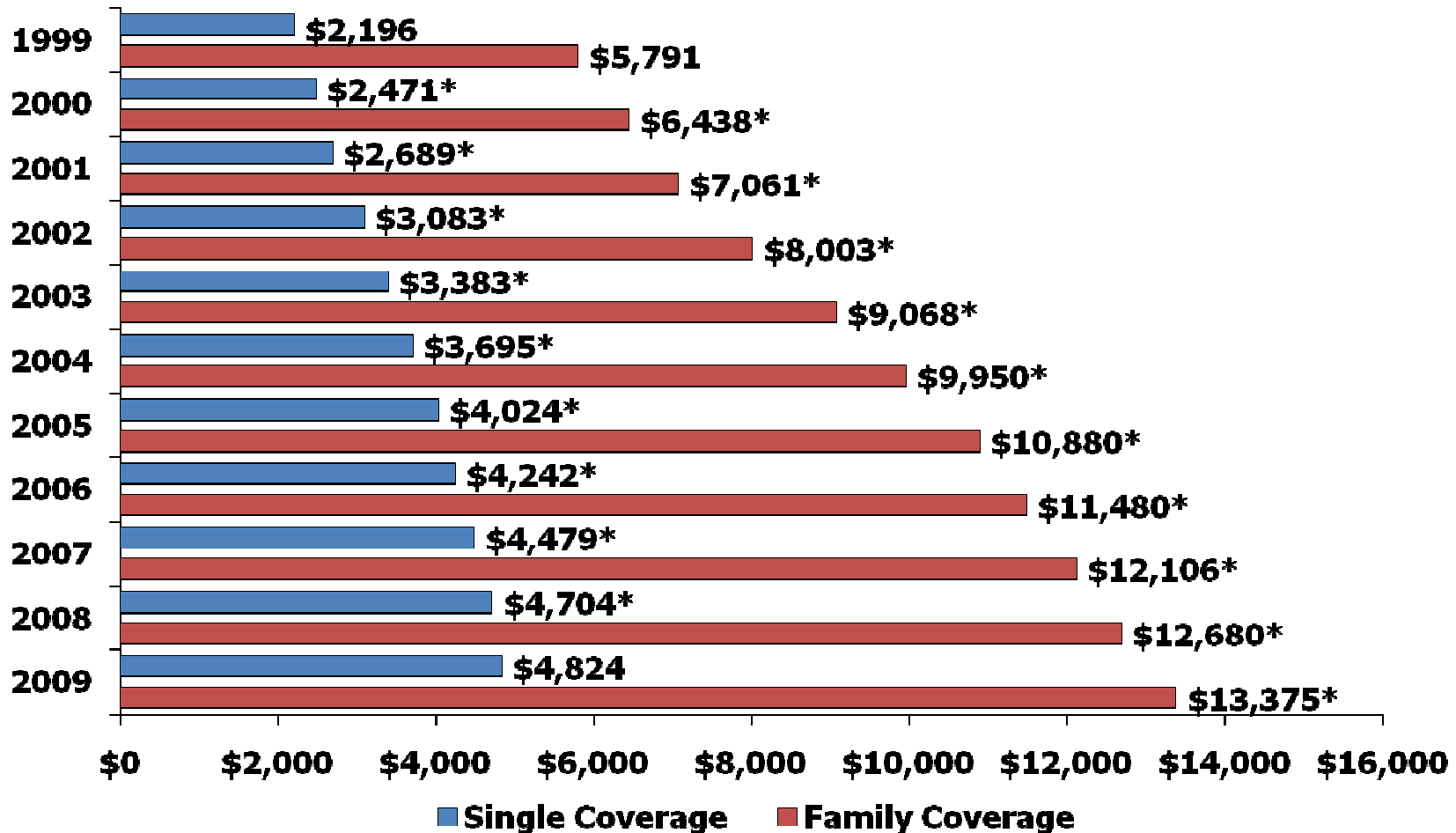
A Quick Calculation

$$\$6,328 / \$4,662 = 1.357$$

35.7% Increase over 13 years

Average Annual Increase of 2.75%

Average Annual Premiums for 1999-2009



* Estimate is statistically different from estimate for the previous year shown ($p < .05$). Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2009.

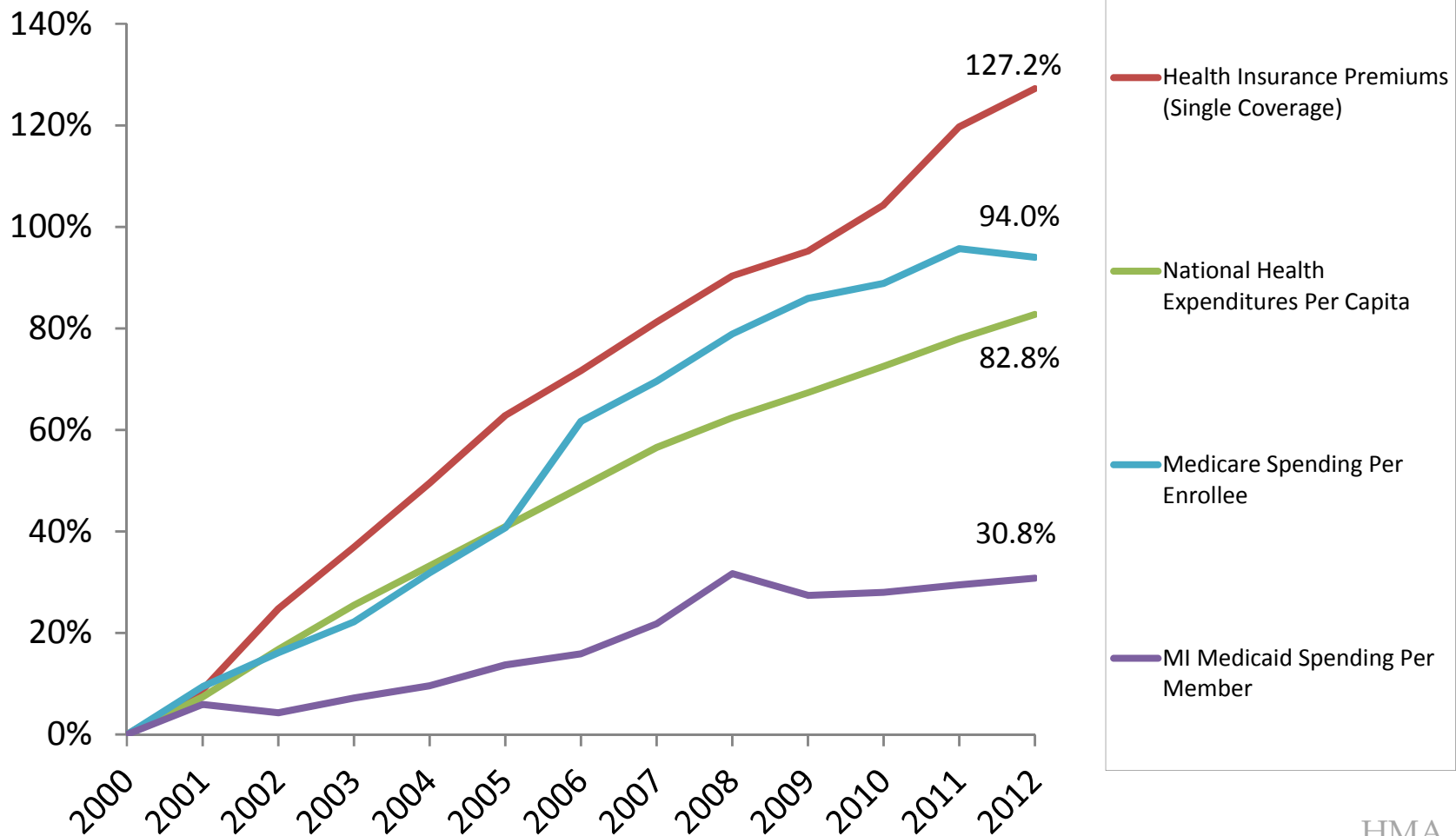
Another Quick Calculation

$$\$4,824 / \$2,196 = 2.197$$

119.7% Increase over 10 years

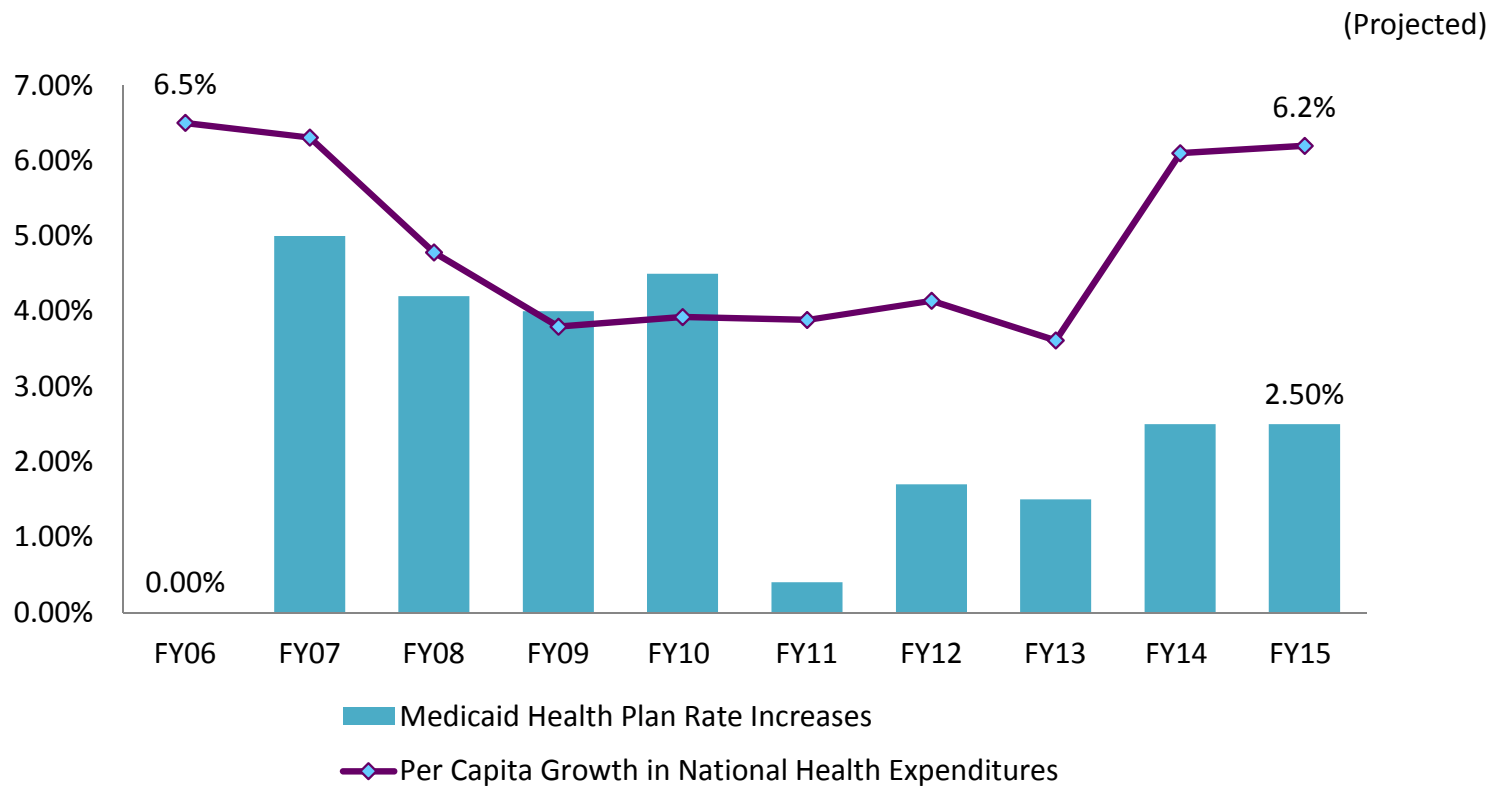
Average Annual Increase of 11.97%

Historical Costs of Health Care 2000-2012



Medicaid Health Plan Rate Increases

- Federal regulations require that the rates paid to Medicaid health plans be actuarially sound.



Michigan Medicaid Service Delivery Through HMOs

- Initiated in early 1970s
- Complete commitment in 1997 – Gov. Engler
 - Required a federal waiver
 - Fully privatized system
 - Mix of profit and non-profit; national and local
 - Early adopter - disabled as mandatory HMO population
- Special needs populations continue to be added
 - Pregnant women mandatory in FY09
 - Foster care children in FY11
 - Children's Special Health Care Services in FY13
 - Duals Demonstration in FY15

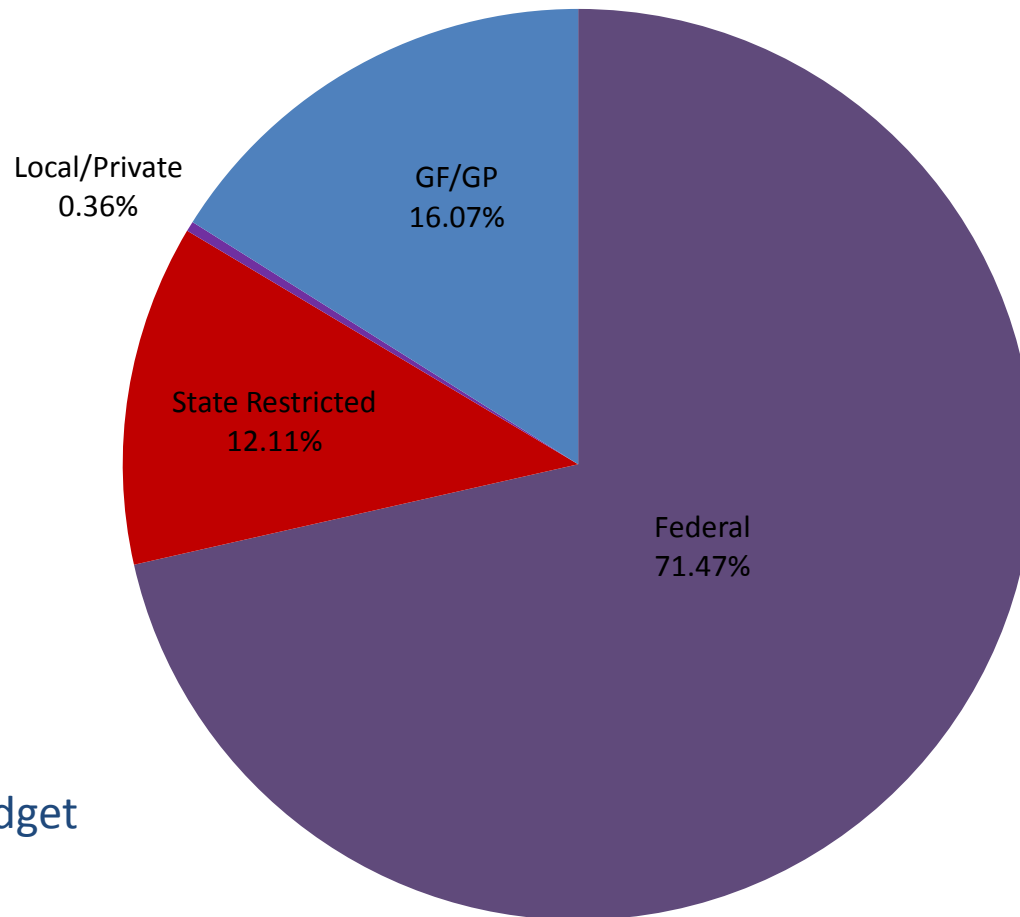
Value Purchasing

- Michigan Medicaid is a value purchaser
- Selective contracting extends beyond our primary relationship with HMOs
- Selective contracting covers the following health care devices and supplies:
 - Multi-state pharmacy purchasing consortium
 - Eyeglasses
 - Incontinence supplies
 - Hearing aids

3. Medicaid Federal Revenue is a Huge Piece of Michigan's State Budget

- Total FY17 State of Michigan Budget is \$54.9 billion
- Total Non-Education Budget is \$38.8 billion
- Total General Fund is slightly less than \$10 billion
- Federal Medicaid Revenue is in excess of \$12 billion

Medicaid Appropriation Revenue Sources



90% of MDCH Budget

4. Block Grants or Per Capita – Be On Guard

- Why Medicaid Will Be a Target
- How Can Michigan Use Flexibility to Achieve Significant Savings in its Medicaid Program?
- Current Medicaid Funding Inequities – How Will Formula Fight Turn Out?

Why Medicaid Will Be A Target

4 Major Funding Components:

- Medicare is on the backburner
- Congressional aversion to ACA taxes
- Coverage and subsidies in some form have been promised in nearly all Replacement proposals
- Medicaid is all that is left – federal policy-makers solve their health care budget problems on the backs of the states

Basic Bargain With States

Fewer Dollars

For

More Flexibility

Some Very Basic Questions

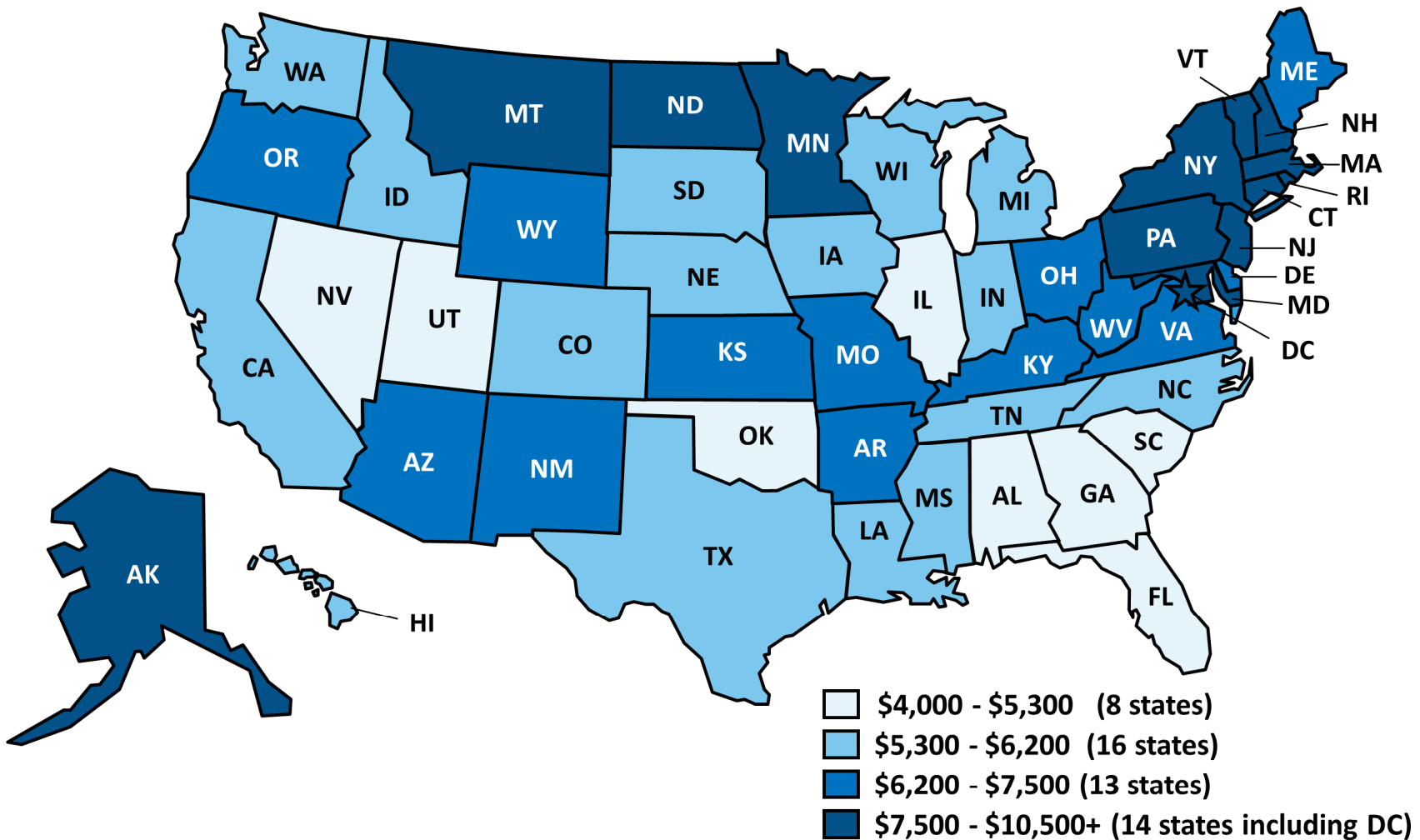
- How will you use this flexibility to substantially reduce costs?
- How will you change your Medicaid program to live with significantly less revenue?

State \$ Distribution – Formula Food Fight

- Current Federal Funding Highly Skewed Among States
- Most Non-Expansion States Are Represented By Republicans
- Disrupting Current Funding Amounts Will Create Budgetary Chaos in States
- At Some Point, Legislators Must Represent Their State Interests

Figure 2

Spending per full-benefit Medicaid enrollee, FY 2011



SOURCE: Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates based on data from FY 2011 MSIS and CMS-64 reports. Because 2011 MSIS data were unavailable, 2010 MSIS & CMS-64 data were used for FL, KS, ME, MD, MT, NM, NJ, OK, TX, and UT.

Discussion

