FISCAL BRIEF

HEALTHY MICHIGAN PLAN SAVINGS AND COST ESTIMATES

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FAST FACTS

- State statute sunsets the Healthy Michigan Plan whenever state costs exceed state savings.
- HFA estimates state GF/GP costs to remain below state GF/GP savings for at least the next 10 fiscal years.
- State GF/GP costs will increase annually as the federal match rate phases down to 90% for calendar year 2020 and thereafter.
- Budgeted state GF/GP savings are $235 million per year.
- Other state GF/GP savings have varied annually based on health insurer assessment levied that year.

INTRODUCTION

Under the Social Welfare Act (MCL 400.105d), the expanded Medicaid program under the Healthy Michigan Plan will sunset whenever annual state savings and other nonfederal net savings associated with the Healthy Michigan Plan are not sufficient to cover the costs of the program. As shown in Table 1, current HFA estimates indicate net Healthy Michigan Plan GF/GP savings through at least the next 10 fiscal years. Net Healthy Michigan Plan savings have increased since the previous HFA estimate[1] due primarily to the new Insurance Provider Assessment (IPA). Attachment 1 includes a more detailed GF/GP cost/(savings) table.

Table 1: Estimated Healthy Michigan Plan Costs/(Savings)
In Millions of $

Fiscal Year	GF/GP Costs	GF/GP Savings	Net GF/GP Costs/(Savings)
2013-14	$20	($147)	($127)
2014-15	20	(417)	(397)
2015-16	20	(427)	(407)
2016-17	22	(306)	(284)
2017-18	71	(267)	(196)
2018-19	108	(396)	(288)
2019-20	190	(399)	(209)
2020-21	219	(403)	(183)
2021-22	226	(406)	(180)
2022-23	233	(409)	(177)
2023-24	239	(413)	(174)
2024-25	245	(416)	(170)
2025-26	253	(420)	(167)
2026-27	260	(424)	(164)
2027-28	267	(427)	(160)

[1] The previous HFA estimate can be found here:
http://www.house.mi.gov/hfa/PDF/HealthandHumanServices/HMP_Savings_and_Cost_Estimates.pdf

HEALTHY MICHIGAN PLAN SAVINGS

Annual state savings are defined in the Social Welfare Act as savings resulting from the reduction of spending on various health care costs previously funded either partially or wholly through state GF/GP that are now funded through the Healthy Michigan Plan. These annual state savings do not reflect reductions to health care spending but instead reflect a transfer of health care spending to the Healthy Michigan Plan. Full year annual state savings of $235 million are as follows:

- $168 million GF/GP reduction in non-Medicaid mental health funding (originally $204 million, with $36 million subsequently restored).
- $47 million GF/GP reduction from ending the Adult Benefits Waiver program (including $12 million in restricted Medicaid Benefits Trust Fund savings that had offset GF/GP).
- $19 million GF/GP reduction in prisoner health care costs in the Department of Corrections budget (originally $32 million, with $13 million subsequently restored).
- $1 million GF/GP reduction from ending the Plan First! waiver program.

HFA estimated other nonfederal net savings associated with the Healthy Michigan Plan include additional state revenues specifically generated by or tied to Healthy Michigan Plan payments. These additional state revenues reduce the amount of additional GF/GP needed to pay for the Healthy Michigan Plan. These savings include:

- Additional revenue from various health insurer taxes or assessments generated by Healthy Michigan Plan managed care organizations including the new Insurance Provider Assessment (IPA) that is scheduled to begin during FY 2018-19, the Health Insurance Claims Assessment (HICA) until it is sunset once the IPA is approved, and the Use Tax on Medicaid managed care organizations that was discontinued on January 1, 2017.[2]
- Provider assessments and special financing contribution revenues used to support special Medicaid payments within the Healthy Michigan Plan.
- A statutorily established hospital quality assurance assessment program (QAAP) retainer of $118 million based on special hospital payments within the Healthy Michigan Plan.

The amount of net GF/GP savings related to health insurer assessments has varied over time depending on which assessment is collected that year. This estimate assumes the Centers for Medicare & Medicaid Services (CMS) approves the IPA, as the IPA is structured so that it passes the formula tests under federal regulations. CMS has not yet approved the IPA, so these estimates would be revised if CMS disapproves the IPA. Going forward, the IPA is estimated to generate $161 million from Healthy Michigan Plan-related activities in FY 2018-19 and should increase proportionately to increases in overall Healthy Michigan Plan costs. Likewise, provider assessments for special Medicaid payments should also increase proportionately to increases in overall Healthy Michigan Plan costs.

Additional nonfederal net savings associated with the Healthy Michigan Plan may include GF/GP-funded Disproportionate Share Hospital (DSH) payment reductions based on a reduction in uncompensated care created in part to expanded health coverage through the Healthy Michigan Plan. Additional local savings may include local government savings from lower local matching costs for non-Medicaid mental health and from the elimination of

[2] More information on the recent statutory changes to health insurer taxes and assessments can be found here: https://www.legislature.mi.gov/documents/2017-2018/billanalysis/House/pdf/2017-HLA-0992-E89DC6B1.pdf

the locally financed Indigent Care Agreement DSH payments. HFA estimates, however, do not include amounts for these savings.

HEALTHY MICHIGAN PLAN COSTS

Outside of $20 million in annual state appropriations for administrative costs, state matching costs for the Healthy Michigan Plan did not begin until January 1, 2017, as federal funds supported 100% of the costs through calendar year 2016. That federal match rate will phase down to 90% over five years as follows:

- 95% for 2017 (calendar year)
- 94% for 2018
- 93% for 2019
- 90% for 2020 and subsequent years

Based on current HFA projections, which include an average annual increase of 2%, state matching costs for the Healthy Michigan Plan were $140 million in FY 2016-17 (for three-quarters of a year) and will grow to roughly $430 million in FY 2020-21 (when the state match rate will be 10% for a full fiscal year).

Not all of those state matching costs, however, require new GF/GP funds, as provider assessments are used to finance the special Medicaid payments within the Healthy Michigan Plan; additionally, there is a hospital QAAP retainer of $118 million based on special Medicaid hospital payments within the Healthy Michigan Plan to offset GF/GP matching costs.[3] As such, HFA projects net GF/GP matching costs of $2 million in FY 2016-17, growing to about $200 million in FY 2020-21. GF/GP matching costs are estimated to grow annually by $7 million thereafter.

NET HEALTHY MICHIGAN PLAN COST/SAVINGS

Attachment 1 identifies annual state programmatic and administrative costs, GF/GP costs after accounting for additional restricted revenues, budgeted state savings, and increased tax revenues resulting from the Healthy Michigan Plan. As the table indicates, the Healthy Michigan Plan should generate annual net GF/GP savings through at least the next 10 fiscal years, and probably longer. The estimates are based purely on GF/GP costs to pay for the Healthy Michigan Plan and the amount of GF/GP funds that would need to be restored to maintain pre-Healthy Michigan Plan health service levels if the Healthy Michigan Plan is sunset.

As noted above, this estimate assumes CMS approves the IPA. If CMS disapproves the IPA, the net GF/GP savings from the Healthy Michigan Plan would last through the next 4 fiscal years (or FY 2022-23).

Sunsetting the Healthy Michigan Plan would presumably yield a relatively modest amount of net GF/GP savings since the sunset would occur in the first year a net cost is calculated. While GF/GP matching costs would be eliminated,

[3] Traditional Medicaid works the same way, where provider assessments and any associated state retainers are used to both finance special Medicaid provider payments and offset GF/GP funds. If these provider assessments didn't exist, neither would the special Medicaid payments.

annual state savings taken from non-Medicaid mental health and the other health care services would have to be restored to previous levels. Further, those state savings amounts could increase based on the inflationary costs of providing those services (not included in these estimates), resulting in a net GF/GP cost. Alternately, the level of health services provided, relative to the pre-Healthy Michigan Plan level, could be reduced.

It should be noted that the Department of Health and Human Services and the State Budget Office are statutorily charged with determining the precise costs and savings resulting from the Healthy Michigan Plan, so the HFA estimates presented in this fiscal brief should be considered informational in nature.

ATTACHMENT 1

Healthy Michigan Plan: Estimated State Costs/Savings

In Millions of $

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Average monthly beneficiaries	286,300	544,400	597,200	650,000	670,000	670,000	670,000	670,000	670,000
State match rate	0.00%	0.00%	0.00%	3.75%	5.75%	6.75%	9.25%	10.00%	10.00%
State Costs									
State match and admin costs	$20	$20	$20	$156	$250	$297	$408	$448	$456
Less restricted revenues	0	0	0	(135)	(179)	(190)	(218)	(228)	(230)
Total GF/GP Costs	**$20**	**$20**	**$20**	**$22**	**$71**	**$108**	**$190**	**$219**	**$226**
Budget Savings (1)									
Non-Medicaid Mental Health	($77)	($168)	($168)	($168)	($168)	($168)	($168)	($168)	($168)
Adult Benefits Waiver (2)	(12)	(47)	(47)	(47)	(47)	(47)	(47)	(47)	(47)
Corrections health care	(10)	(19)	(19)	(19)	(19)	(19)	(19)	(19)	(19)
Other health programs	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Subtotal: Budget Savings	**($100)**	**($235)**	**($235)**	**($235)**	**($235)**	**($235)**	**($235)**	**($235)**	**($235)**
Savings from Revenue Impacts									
Additional HICA revenue (3)	($7)	($20)	($21)	($27)	($32)	$0	$0	$0	$0
Additional Use Tax revenue (4)	(40)	(162)	(171)	(44)	0	0	0	0	0
Additional IPA revenue (5)	0	0	0	0	0	(161)	(164)	(168)	(171)
Total Savings With Revenue Impacts	**($147)**	**($417)**	**($427)**	**($306)**	**($267)**	**($396)**	**($399)**	**($403)**	**($406)**
Net GF/GP Costs/(Savings)	**($127)**	**($397)**	**($407)**	**($284)**	**($196)**	**($288)**	**($209)**	**($183)**	**($180)**

Notes

(1) Assumes no inflationary increase in previous state costs shifted to Healthy Michigan Plan.
(2) Includes $12 million in Medicaid Benefits Trust Fund revenue appropriated for the program.
(3) Assumes HICA sunsets effective October 1, 2018.
(4) Use Tax on Medicaid Managed Care Organizations was discontinued effective January 1, 2017.
(5) Insurance Provider Assessment created via PA 175 of 2018 with a start date of October 1, 2018.

General Note: Does not reflect local savings or reductions in uncompensated care (which could result in reductions to Disproportionate Share Hospital [DSH] payments under HMP statutory provisions).