

Michigan's Medicaid Program

Meghan Groen, Senior Chief Deputy Director
Michigan Department of Health and Human Services

April 25, 2025

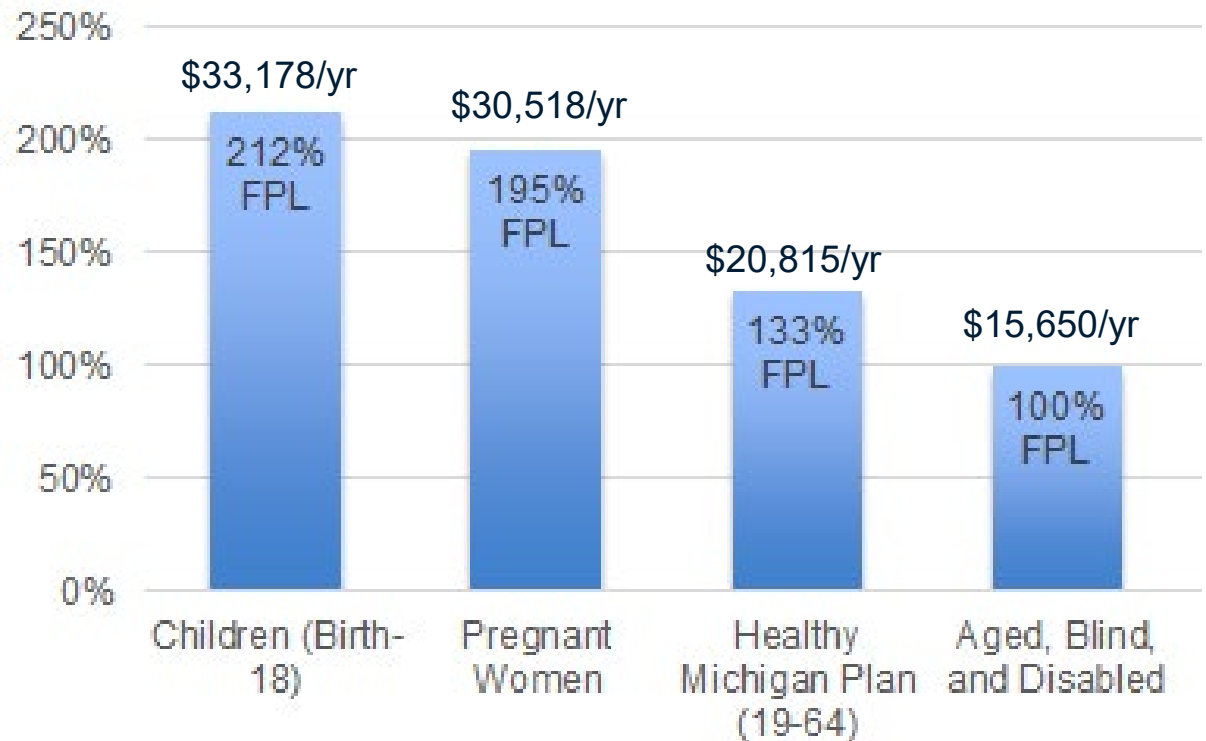


Medicaid Background

Medicaid Program Background

- Medicaid is the **largest health insurance program** in the U.S.
- A means-tested entitlement program providing **comprehensive health coverage for eligible populations**, including:
 - Low-income children and families
 - Elderly and disabled individuals
 - Pregnant women

Medicaid Income Limit by Population



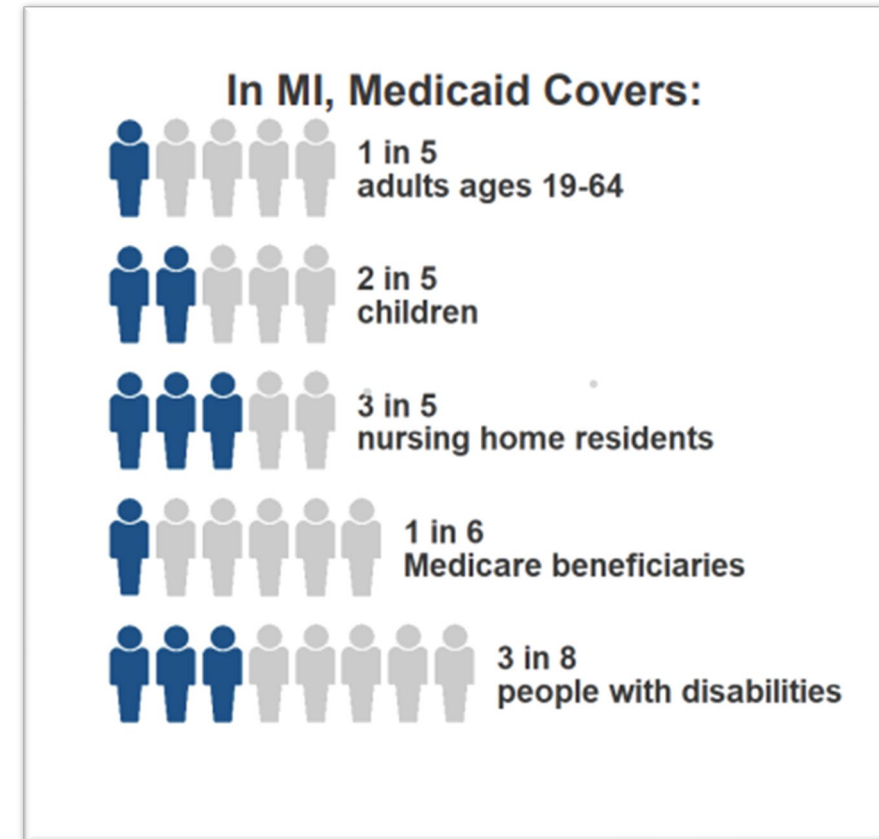
Michigan's Medicaid Program has a Vast Reach

Medicaid covers one in five individuals living in the U.S. In Michigan, the coverage rate is even higher- **one in four Michiganders**.

In FY24, Michigan's Medicaid program afforded health coverage to over **2.8 million Michiganders** each month, including:

- **1 million children**;
- **300,000 people** living with **disabilities**;
- **168,000 seniors**; and
- More than **820,000 adults** in the **Healthy Michigan Plan**.

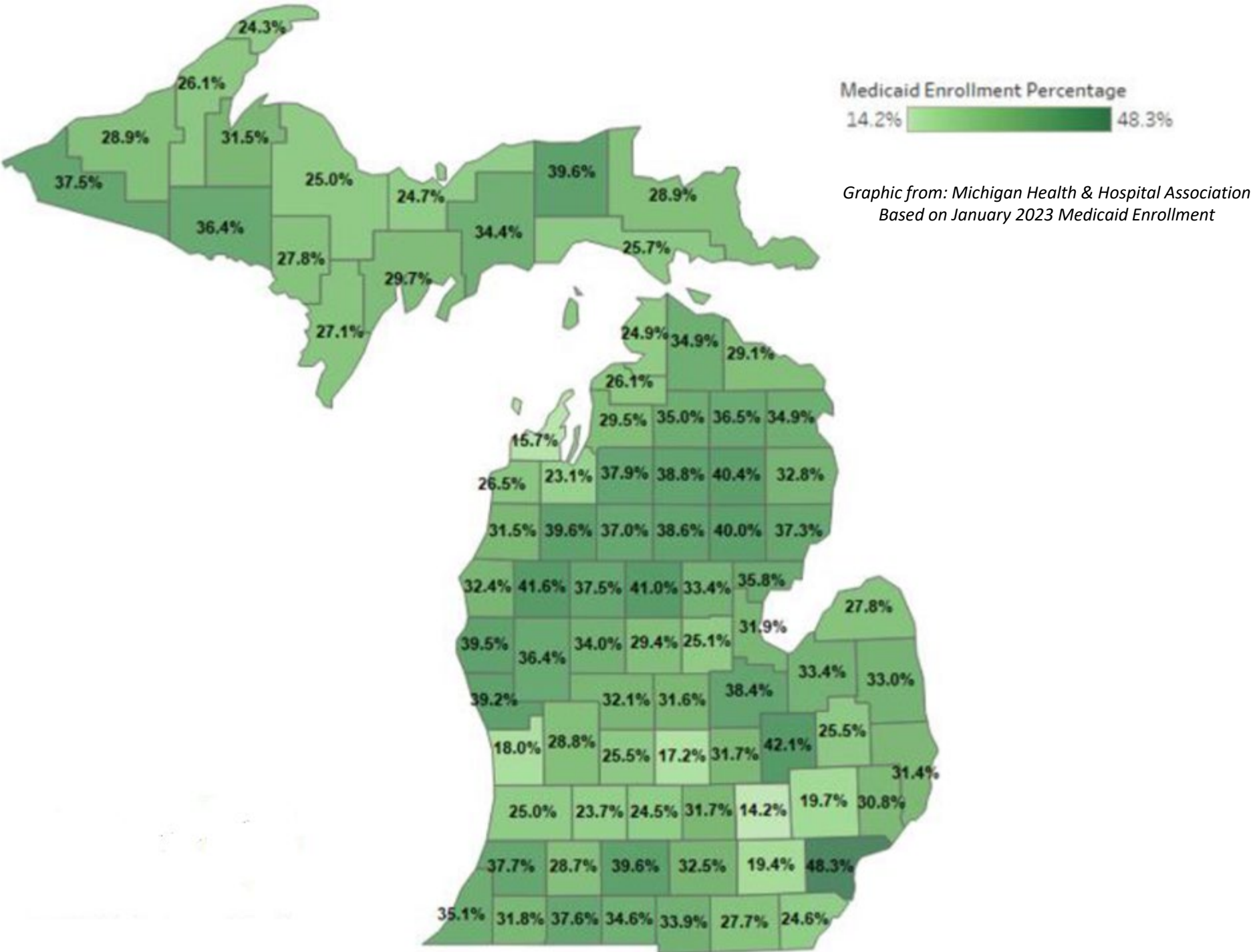
45% of births in Michigan are covered by Medicaid.



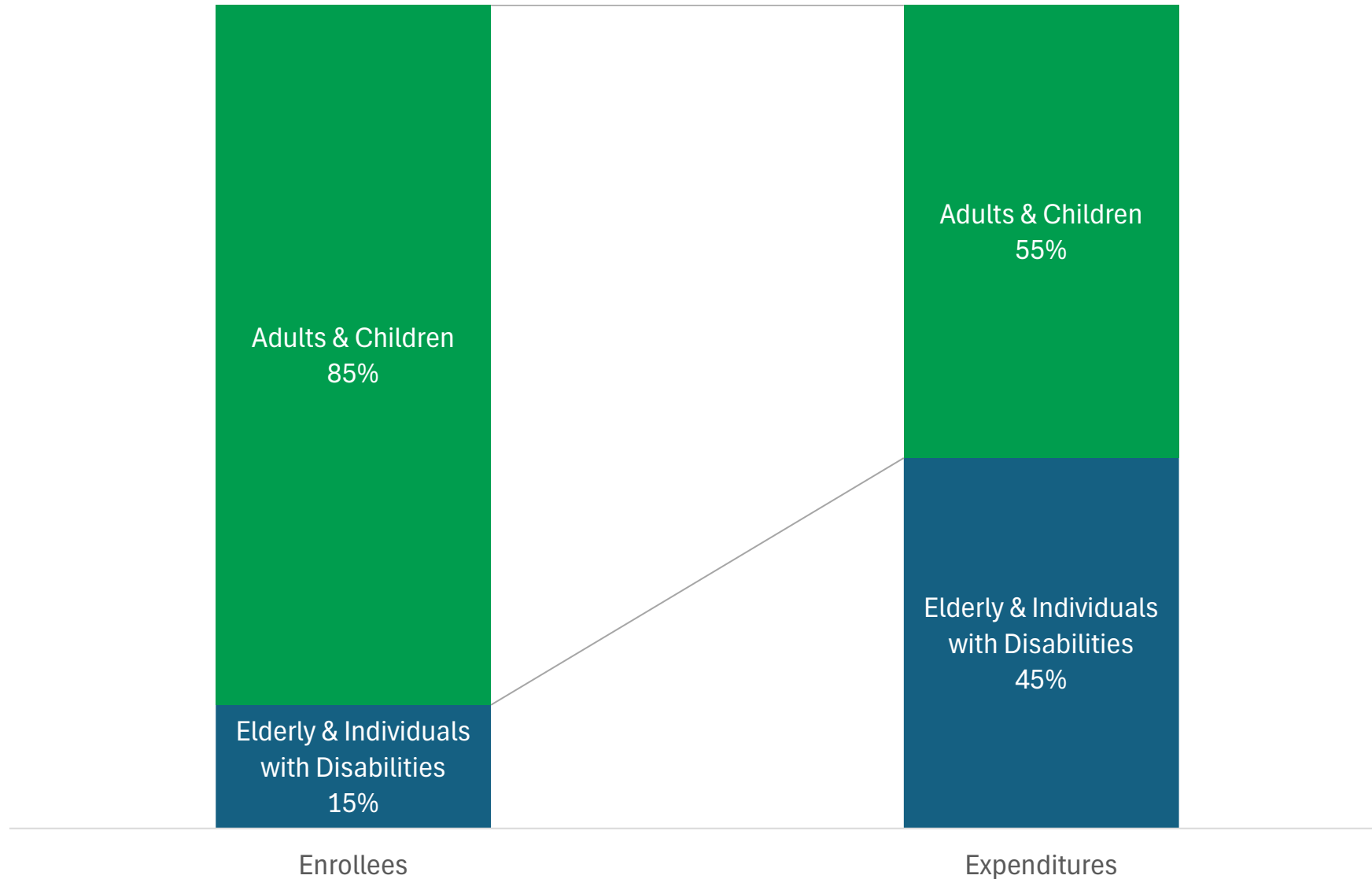
*Graphic from: Kaiser Family Foundation
August 2024 Michigan Fact Sheet*

Medicaid Enrollment

Percentage of
County Population



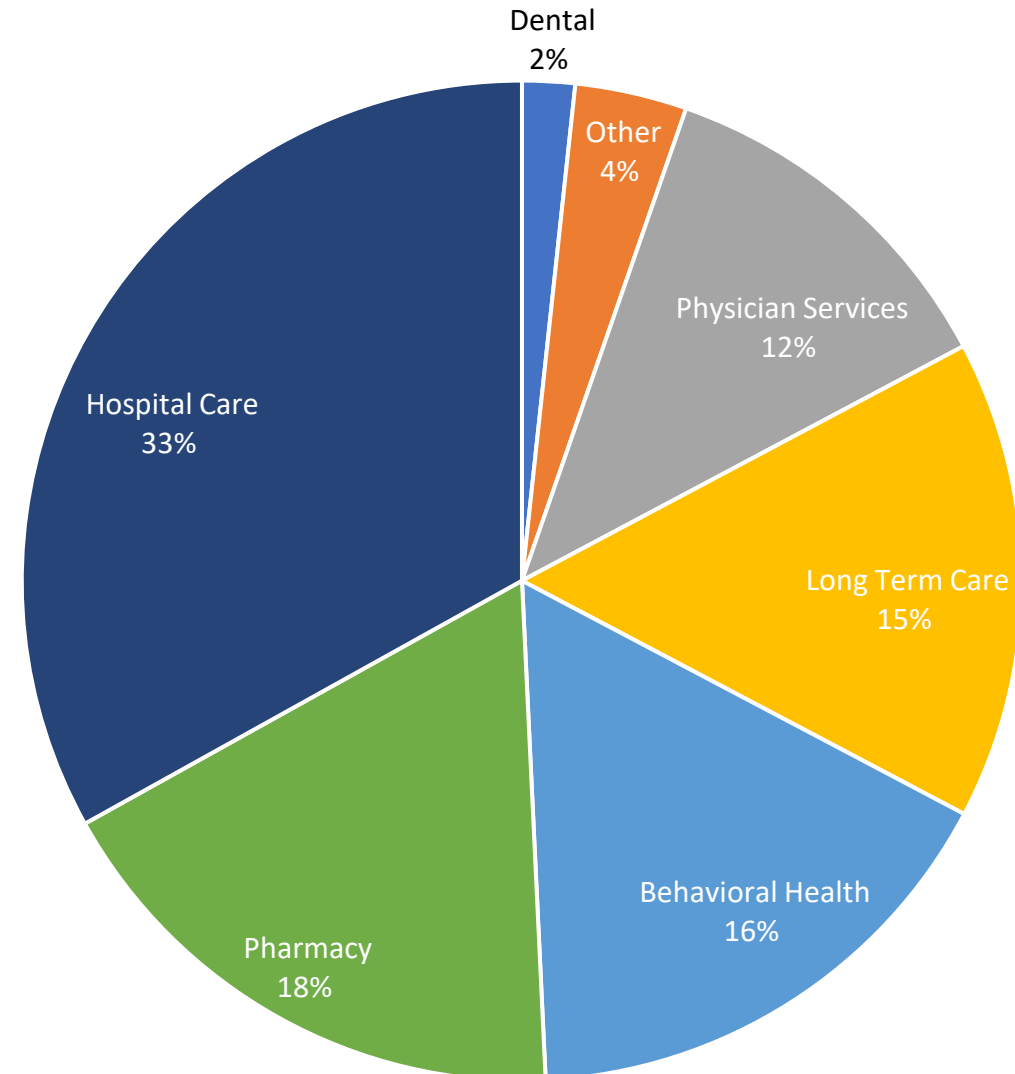
Medicaid Enrollees and Expenditures



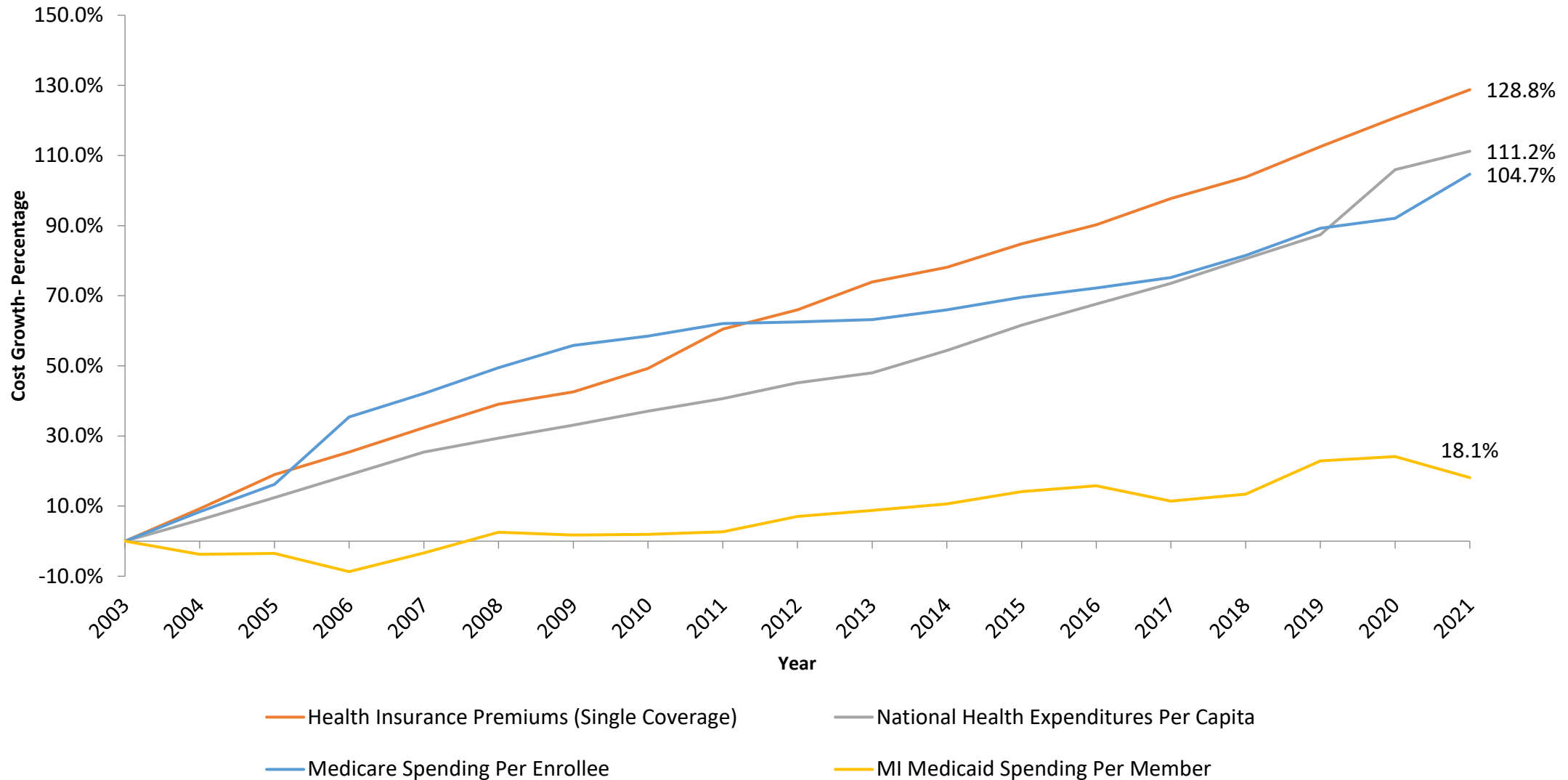
Medicaid is a Major Payer in the Health Care System

- Nationally, Medicaid accounts for one-fifth of all health care spending, and over half of spending on long-term care.
- It is largest payer of mental health services, long-term care services, and births.
- As such, it plays a critical role in assuring the sustainability of hospitals, community health centers, physicians, and nursing homes.

Michigan Medicaid Expenditures by Service

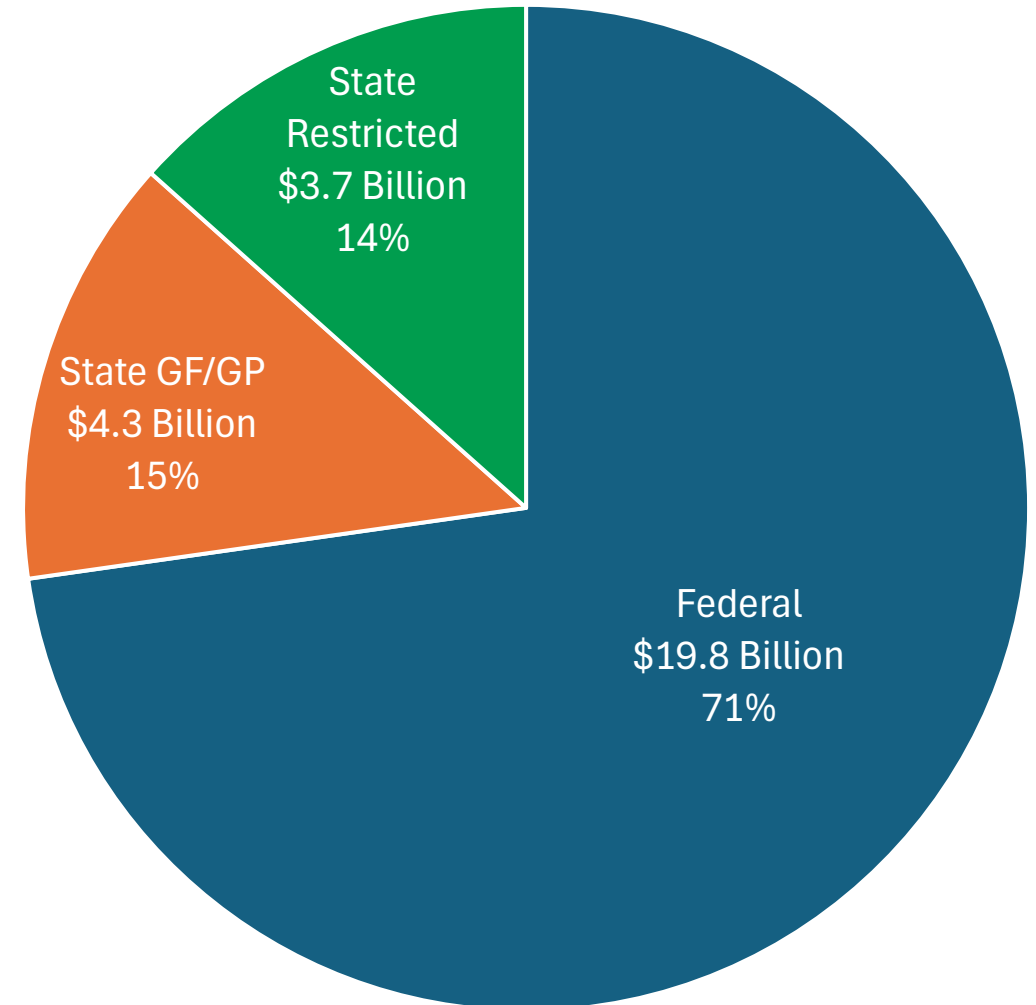


Medicaid is Cost Effective



Michigan Medicaid Budget

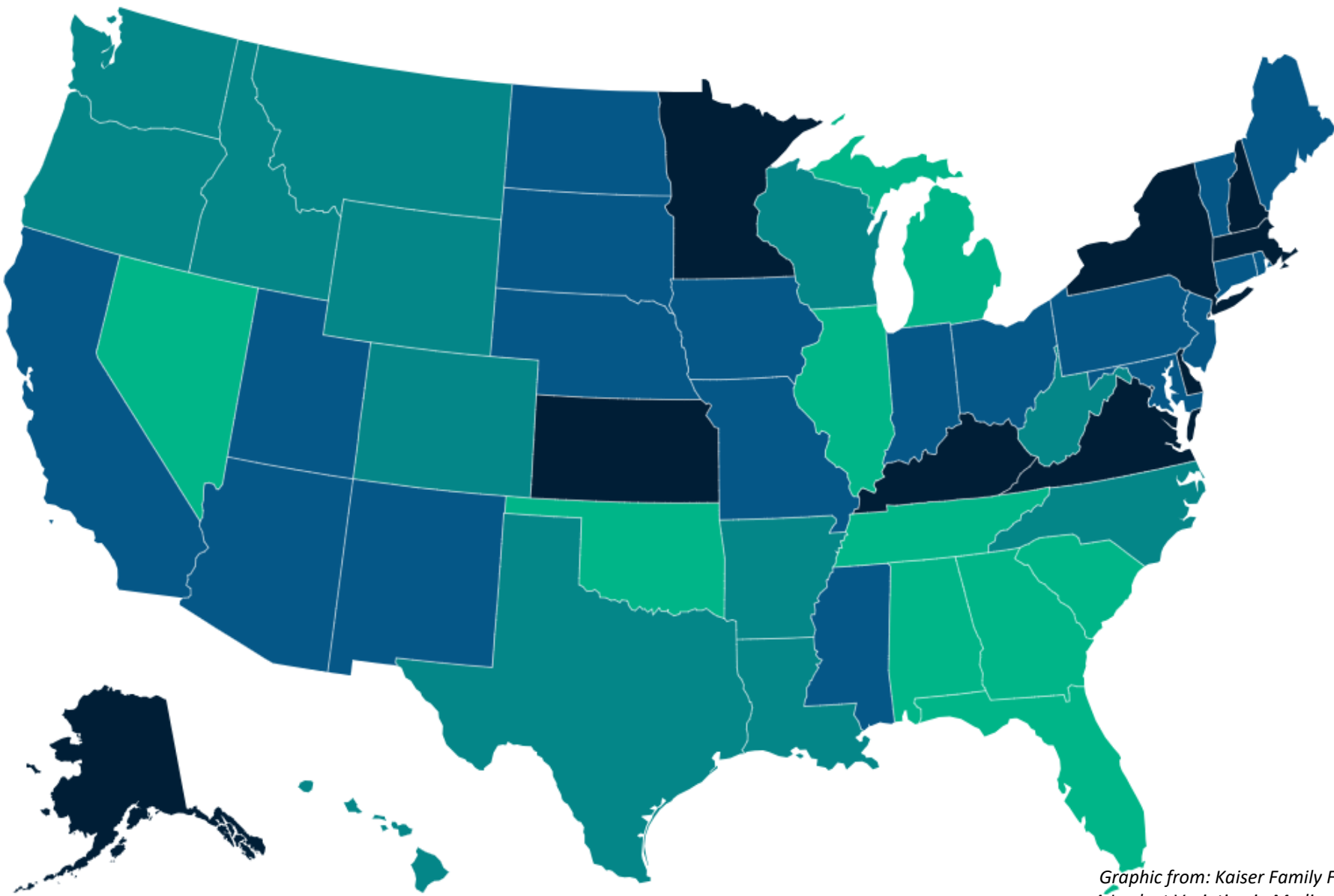
- Michigan's FY25 Medicaid budget is approximately \$27.8 Billion.
 - 34% of the state's overall budget
- **More than 70% of the Medicaid budget comes from federal funding.**
- The federal match rates for most Medicaid enrollees vary by state following a federal formula that provides a **higher federal match rate for states with lower per capita income.**
 - Michigan's FY25 **federal match rate is ~65%.**



Michigan
Spends
Less per
Medicaid
Enrollee

Medicaid Spending Per Enrollee Ranged From Under \$5,000 to Over \$12,000

< \$6,000 (9 states) \$6,000 - \$7,500 (13 states) \$7,500 - \$9,000 (19 states) > \$9,000 (10 states)



Graphic from: Kaiser Family Foundation
A Look at Variation in Medicaid Spending
Per Enrollee by Group and Across States

Medicaid Helps Hospitals

- With Medicaid covering a quarter of the state's population, Michigan's **uninsured rate** continues to improve and is now **among the best in the country** (4.4% in Michigan compared to 8.0% nationally).
- Since the launch of Medicaid expansion in 2014, **hospital uncompensated care** has fallen dramatically – **decreasing by more than 50%**.
- Michigan's hospitals receive **nearly \$7 billion** in Medicaid funding annually, which accounts for **almost one-fifth of the state's hospitals' net patient revenue**.

Medicaid Helps Rural Communities



- **More than one third of small town and rural** Michiganders are covered by Medicaid.
- States who did not expand Medicaid experienced **more hospital closures, especially in rural communities**. Hospitals are six times more likely to close in non-expansion states.
- Rural hospitals will struggle to keep **labor and delivery** units open if Medicaid payments are reduced.
- The local hospital is often the **largest employer in many of Michigan's rural communities**.

Medicaid Helps the Economy



- According to the Michigan Health and Hospital Association, Michigan's health care industry has a total economic impact of **\$65 billion** per year—**greater than any other industry in the state.**
- A University of Michigan study found that Medicaid expansion alone sparked the creation of **more than 30,000 new jobs every year.**
 - One-third in healthcare and 85% in the private sector.
- These jobs boost the **personal spending power** for Michigan residents by about **\$2.3 billion each year** and result in an additional **~\$150 million in tax revenue annually.**

Medicaid is good for our future

Medicaid Kids ➡ *High Earners*

- Medicaid enrollment for children has been shown to:
 - Increase **positive health outcomes**.
 - Increase **educational attainment**.
 - Increase **wages** in adulthood.
 - Increase **future tax revenue** from increased earnings.
- Increasing the proportion of low-income pregnant women on Medicaid improved the **economic mobility outcomes** of their children in adulthood.
- The Congressional Budget Office estimates that **long-term** fiscal effects of Medicaid spending on children could **offset half or more** of the program's initial outlays.



Potential Federal Medicaid Changes

Impact of Potential Federal Cuts to Michigan's Medicaid Program



- **Reducing the 90% federal match rate for Medicaid expansion (HMP):**
 - Aligning the expansion match rate with Michigan's traditional federal match of ~65% would cost the state \$1.1 billion annually.
 - Absent this additional state investment, 30% of Michigan's Medicaid population would lose their health coverage.
- **Limiting provider taxes:**
 - Would result in cuts to hospital, nursing facility, and ambulance reimbursement.
 - The loss of federal revenue would also likely necessitate cuts to benefits or already low reimbursement rates.
- **Imposing work requirements:**
 - Would add administrative cost the State and burden on beneficiaries and lead to unnecessary coverage losses, including for individuals who are already working.
- **Ending enhanced federal match for certain administrative expenditures:**
 - Would result in the need for an additional \$115 million in state funds simply to maintain current Information Technology operations.
- **Per capita caps**
 - Would result in an estimated \$20 billion cut in federal funds to Michigan Medicaid over 10 years.

Recent Policy Changes & Budget Proposals

Improving Health by Expanding the Medicaid Spend Down

Ongoing

96.4M Gross

\$33.1M GF



FTEs 0

Description

- The Medicaid Spend Down Program allows individuals to "spend down" to Medicaid eligibility by offsetting their income with incurred medical expenses.
- Current income levels (\$4,896 per individual) are based on standards from the early 1970s.
- Restructures the program to use the federal poverty level as the qualifying income level.
- For example, a disabled individual with an income of \$1,350 per month (\$16,200 annually) and medical expenses of \$900 per month does not qualify for Medicaid.
 - With this budget proposal, the same individual with a monthly income of \$1,350 and medical expenses of \$50 will qualify for health care coverage.

Proposed Investments

- \$96.4 million gross (\$33.1 million GF) to help more people qualify for Medicaid by increasing the spend down threshold to 100% of the federal poverty level.

Outcomes

- Support increased health coverage.
- Ensure medical bills are paid.
- Achieve individual health benefits.
- Anticipated to provide health care to 78,000 aged, blind, and disabled individuals with high medical expenses.

Supporting Successful Prisoner Community Reentry

One-Time

\$40M Gross

\$20M GF



FTEs 0

Description

- Prisoners receive basic health services while in prison and have access to Medicaid upon reentry to the community.
- Supports often do not exist to assist with the transition to the community.
- Train the workforce to provide Medicaid-aligned services tailored to reentry populations.
- Facilitate engagement and collaboration across partners and sectors.
- Enhance system capabilities for billing, documentation and care coordination.
- Ensure coverage continuity for individuals pre-and post-release.

Proposed Investment

- \$40 million gross (\$20 million GF) to begin implementing the CMS-approved section 1115 Reentry Services Demonstration.

Outcomes

- Provide comprehensive services to those entering the community.
- Reduce reentry into the prison system.
- Improve health outcomes for justice-involved individuals.

Social Determinations of Health & In Lieu of Services

New Ways to Address SDOH Through Medicaid Beginning in October 2024



In Lieu of Services Overview

What are In Lieu of Services (ILOS)?

- ILOS are services a state deems to be **medically appropriate** and **cost effective** when provided as substitutes to other services and settings covered in a state's Medicaid program.
- **ILOS** is administered through Medicaid, which is a health program, so **they must address health-related needs**.

What are MDHHS' Goals in Introducing ILOS?

- Promote availability of services to:
 - **Meet enrollee needs.**
 - **Improve health.**
 - **Reduce the future need for medical services.**
- Connect with MDHHS' broader strategy to address SDOH and improve health equity.

ILOS Definitions in Michigan

(ILOS Definitions are Pending Federal Approval)



Medically Tailored Home Delivered Meal

A fresh or frozen home delivered meal which is medically tailored for a specific disease or condition. This ILOS includes support from a certified nutrition professional.



Healthy Home Delivered Meal

A nutritionally-balanced, home delivered meal consisting of a hot, cold, frozen or shelf-stable meal aimed at promoting improved nutrition for the enrollee.



Healthy Food Pack

A healthy food pack consists of an assortment of medically-tailored or nutritionally-appropriate foods provided to an enrollee.



Produce Prescription

A voucher for the enrollee to purchase any variety of fruits and vegetables or plants/seeds that produce fruits and vegetables.

Behavioral Health Care

CCBHC Demonstration

CCBHCs are nonprofit or local government agencies that provide comprehensive and coordinated outpatient behavioral health services.

CCBHCs:

- Serve all Michiganders with a mental health and/or substance use disorder regardless of severity, insurance status or ability to pay.
- Meet robust certification criteria.
- Adhere to stringent quality and cost reporting requirements.
- Are reimbursed using a state-developed prospective payment system model (CMS demonstration only).

CCBHC Community Impact



FY 2023: 13 sites participating in the Medicaid demonstration served:

75,006 distinct individuals including:

66,072 Medicaid.

8,934 non-Medicaid.

74% adults.

26% children.

2,171 individuals with military involvement.

8,012 individuals with co-occurring mental health and substance use disorder.

5,264 individuals with co-occurring mental health diagnosis and IDD.

Over 17,000 Medicaid members received CCBHC services in a county different than their residence.

FY 2024: CCBHC expanded from 13 to 30 sites

19% increase in the number of people served

20% increase in the number of encounters

CCBHC service areas cover

- **82%** of Michiganders
- **36%** of Michigan's square mileage

7% of services were provided to people residing outside of the CCBHC's service area

14% of people with a mild to moderate diagnosis

Today: CCBHC expanded to 35 sites

146,018 distinct individuals including:

117,140 Medicaid.

28,878 non-Medicaid.

Questions